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## **Vanguard® SIMPLE IRA Employer Guide**

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# Establishing a Vanguard SIMPLE IRA Plan

## Instructions for Employers

**You may establish a plan by setting up and contributing to SIMPLE IRAs for yourself and each of your eligible employees. Follow these easy steps.**



### Step 1

**Learn about the plan.**

Review the Vanguard SIMPLE IRA Disclosure Statement and Custodial Account Agreement.

### Step 2

**Set up your plan.**

Complete the following forms:

- IRS Form 5305–SIMPLE, Savings Incentive Match Plan for Employees of Small Employers.\* **Keep this form for your records; do not send it to Vanguard.**
- SIMPLE IRA Plan Authorization.
- Have your eligible employees complete the enclosed SIMPLE IRA New Account Form and submit it to you. Any new employees can be enrolled electronically as instructed in **Step 5.**

### Step 3

**Mail the completed forms to Vanguard.**

Use the postage-paid envelope provided in this kit. Or mail the forms to **Vanguard, P.O. Box 1110, Valley Forge, PA 19482-1110**. For overnight delivery, mail to **Vanguard, 455 Devon Park Drive, Wayne, PA 19087-1815**.

\*Alternatively, you may use IRS Form 5304–SIMPLE, Savings Incentive Match Plan for Employees of Small Employers. This form allows each employee to invest with the financial institution of his or her choice, which may increase your administrative and recordkeeping responsibilities. If you complete this form, keep it for your records; do not send it to Vanguard.

## Step 4

### **Establish online access.**

To contribute to and manage your plan, you will need to establish access to Vanguard Small Business Online®. Here's how:



- Approximately three business days after receiving your enrollment forms, Vanguard will send an e-mail to the administrator and plan contact(s) you identified on the SIMPLE IRA Plan Authorization with instructions for logging on to Vanguard Small Business Online.
- To begin contributing, the authorized individual must log on, choose a funding method, and allocate the contribution amount to each participant.

## Step 5

### **Enroll additional employees.**

- Log on to Vanguard Small Business Online and click “Enroll a participant in the plan” to send an e-mail to each employee with information on how to open an account online.
- Each participating employee should also complete and submit to you a Model Salary Reduction Agreement from IRS Form 5305–SIMPLE, which you should provide to all your employees. **Keep this form for your records; do not send it to Vanguard.**

# Managing a Vanguard SIMPLE IRA Plan

## Instructions for Employers

For complete details, refer to the Vanguard SIMPLE IRA Disclosure Statement and Custodial Account Agreement.



### Eligibility Employer

You are eligible to establish and maintain a SIMPLE IRA plan if:

- You employed 100 or fewer employees who earned at least \$5,000 in total compensation in the previous calendar year.
- You do not maintain another qualified retirement plan.

Once you establish a SIMPLE IRA plan, if you exceed the limit of 100 employees, you have two years to return to eligibility. If after two years you still have more than 100 eligible employees, you must discontinue the plan. If you exceed the employee limitation because of an acquisition or merger, your grace period lasts for the remainder of the year of the acquisition or merger and—if you meet certain requirements—for the following calendar year.

### Employee

Generally, all employees are eligible to participate. However, you may exclude employees who:

- Have not earned \$5,000 or more in any two preceding calendar years.
- Are expected to earn less than \$5,000 in the current year.
- Are covered by collective bargaining agreements.

To encourage more employees to participate, you may set a compensation level that is lower than \$5,000 (\$4,000, for example)—or even eliminate the minimum compensation requirement.

**Contributions  
Employer**

**Choosing a contribution method.** You must choose one of the following methods:

1. **Matching.** Under this option, only those employees who choose to make their own salary-reduction contributions will receive employer contributions to their SIMPLE IRAs. You may match employee deferrals dollar for dollar up to 3% of each eligible employee's compensation. You may select a limit lower than 3% of compensation (between 1% and 3% of compensation), but only in two years out of any five-year period.
2. **Nonmatching.** Under this option, you make a contribution of 2% of compensation (based on a maximum eligible compensation limit of \$230,000 for 2008 and \$245,000 for 2009) for each eligible employee—whether or not he or she chooses to make salary-reduction contributions.

**Changing your contribution method.** You can change your contribution method once a year. You must notify your employees of your contribution method at least 60 days before the start of the new plan year (see **Reporting Requirements** on page 6).

**Definition of Compensation**

Compensation is determined as follows:

- **For self-employed persons.** Figure your net earnings from self-employment (including any employee contributions made under the SIMPLE IRA).
- **For employees.** Include the following amounts:
  - Wages, tips, and other payments subject to income tax withholding.
  - Elective contributions made under the SIMPLE IRA.
  - Compensation deferred under a 457 plan. (Because a 457 plan is not considered a qualified plan, you may maintain a SIMPLE IRA and a 457 plan at the same time.)

**Employee**

**Choosing a contribution amount.** Employees may defer 0% to 100% of their compensation, though no more than the annual dollar limits shown in the table below. They are not required to contribute each year.

**SIMPLE IRA Employee Contribution Limits**

<b>Year</b>	<b>Under Age 50</b>	<b>Age 50 or Older</b>
2008	\$10,500	\$13,000
2009	\$11,500	\$14,000

<p><b>Contributions</b> <i>(continued)</i></p> <p><b>Employee</b></p>	<p><b>Changing a contribution election.</b> Employees can generally change their contribution election during the 60-day election period from November 1 through December 31 (see <b>Reporting Requirements</b> on page 6). However, you may allow them to amend their elections more frequently, such as quarterly or semiannually. For a new participant, the 60-day election period begins on the day the employee becomes eligible.</p> <p><b>Terminating contributions.</b> Employees can terminate a salary-reduction contribution election at any time. However, when you establish your plan, you may specify that employees who terminate participation cannot resume contributions until the following calendar year.</p>
<p><b>Additional IRA Savings</b></p> <p>In addition to contributing to a SIMPLE IRA, you and your employees can also contribute the maximum yearly amounts to your own traditional IRAs or Roth IRAs each year. (Consult a tax or financial advisor to determine if your traditional IRA contribution is deductible.) The annual IRA contribution limit for those under age 50 is \$5,000 for 2008 and 2009. The limit for those age 50 to 70½ is \$6,000 for 2008 and 2009. (Only Roth IRA owners may contribute after age 70½.)</p>	
<p><b>Vesting</b></p>	<p>All contributions to employees' SIMPLE IRAs belong immediately to the employees.</p>
<p><b>Asset Transfers</b> (move money from another SIMPLE IRA to a Vanguard SIMPLE IRA)</p>	<p>Employers must complete and submit the Vanguard SIMPLE IRA Asset Transfer Form after establishing a Vanguard SIMPLE IRA.</p>
<p><b>Taxes</b></p>	<p>Federal income tax is not withheld until an employee takes a distribution. However, the employer must withhold all other taxes—federal unemployment, Social Security, and Medicare—from employee contributions before they are submitted.</p>
<p><b>Sending Contributions to Vanguard</b></p>	<p>Forward contributions and remittance information to Vanguard via the Vanguard Small Business Online website. (Vanguard will send the URL for this website via e-mail to the administrator and plan contact(s) you assigned on the Vanguard SIMPLE IRA Plan Authorization.)</p>

<p><b>Investments Choices</b></p> <p><b>Minimums</b></p>	<p>Refer to the enclosed fund prospectus(es) or visit <a href="http://www.vanguard.com">www.vanguard.com</a> for fund names and numbers. Be sure the funds you want are currently open to new investors. Contributions can be allocated among as many as five of these funds. <b>Note:</b> Mutual funds are subject to risks, including possible loss of principal.</p> <p>Generally, there is no minimum investment required to establish a SIMPLE IRA for your plan or for mutual funds within that plan. However, some Vanguard funds may require a specific minimum investment (for example, \$10,000 or \$25,000). For more information, consult the prospectuses of the funds that interest you.</p>
<p><b>Reporting Requirements Employer</b></p> <p><b>Employee</b></p>	<p>Your reporting requirements are straightforward:</p> <ul style="list-style-type: none"> <li>• <b>IRS Form W-2.</b> Indicate on each contributing employee's W-2 that he or she is actively participating in the plan. Report the applicable amount of salary-reduction contributions on each employee's W-2. There are no other IRS reporting requirements.</li> <li>• <b>Annual contribution change notification.</b> Annually <i>before</i> the election period (November 1 through December 31), you must notify eligible employees that they can start or change their SIMPLE IRA contributions. You must also identify whether your contributions in the coming year will be matching or nonmatching and provide the applicable contribution percentage. To make these annual notifications, you can complete and submit to each employee the "Model Notification to Eligible Employees" section of IRS Form 5305-SIMPLE.*</li> <li>• <b>Summary Plan Description.</b> You must provide each participant with a Summary Plan Description and instructions on how to make withdrawals or transfers from the SIMPLE IRA. (Both are included in the employee's kit; Vanguard sends an updated Summary Plan Description to you annually.) If you do not provide proper notification, you will be subject to a \$50 fine for each day the violation continues unless the IRS determines that you have reasonable cause.</li> </ul> <p>Vanguard annually files IRS Form 5498, IRA Contribution Information, and sends a copy to each employee who maintains a SIMPLE IRA, along with an annual account statement. Employees should keep these forms on file until they receive all distributions from their accounts.</p>

\*If you wish, you may use IRS Form 5304-SIMPLE instead. This form allows each employee to invest with the financial institution of his or her choice, which may also increase your administrative and recordkeeping responsibilities.

<p><b>Fees</b></p> <p><b>Employer</b></p> <p><b>Employee</b></p>	<p>No fees apply.</p> <p>Vanguard charges participants an annual account service fee of \$25 for each mutual fund they hold in their Vanguard SIMPLE IRA. We will withdraw the fee directly from the fund accounts in June each year. This fee does not apply to members of our enhanced services, which require a minimum of \$100,000 in total household assets held at Vanguard by the participant and immediate family members who reside at the same address. If the participant has a SIMPLE IRA, the participant must have an additional Vanguard mutual fund account relationship to qualify for enhanced services.</p> <p>Some Vanguard funds may also impose fund-specific fees, which are described in the fund's prospectus.</p>
<p><b>Account Statements</b></p> <p><b>Employer</b></p> <p><b>Employee</b></p>	<p>Your plan contribution statements are available by logging on to the Vanguard Small Business Online website.</p> <p>Vanguard will mail:</p> <ul style="list-style-type: none"> <li>• Written confirmations to employees each time they make changes to their accounts.</li> <li>• Account statements to employees at least annually (employees may choose to access their statements online instead).</li> </ul>
<p><b>Distributions</b></p> <p><b>Employer</b></p> <p><b>Employee</b></p> <p><b>Rollovers</b></p>	<p>Employers have no involvement in making distributions to employees. Vanguard will distribute benefits from the account as directed by the employee. (We do <i>not</i> determine when employees are eligible to withdraw funds without penalty.)</p> <p>The rules for taking distributions from a SIMPLE IRA are similar to those for traditional IRAs. Distributions are normally taxed as ordinary income. Premature distributions are subject to a 10% federal penalty tax, unless an exception applies.* If a distribution is taken during the employee's first two years in the plan and the employee is younger than age 59½ (and no exception applies), the federal penalty tax on the distribution is 25%. The IRS—not the employer or Vanguard—administers the penalty. For more information, consult a financial or tax advisor.</p> <p>Employees may roll their assets over to another SIMPLE IRA at any time. After two years of participation, they may transfer or roll their assets over to another SIMPLE IRA, and to a traditional IRA, 403(b) plan, 457(b) plan, or qualified plan, regardless of whether they have terminated employment with your organization.</p>

\*Premature distributions are those taken before reaching age 59½, except in cases of death, disability, substantially equal periodic payments over a single or joint life expectancy, a first-time home purchase (\$10,000 lifetime maximum), qualified higher-education expenses, payment for certain medical expenses, or health insurance premiums for those who have received unemployment compensation for at least 12 consecutive weeks in the current or prior taxable year.



**World Wide Web**

[www.vanguard.com](http://www.vanguard.com)

**Toll-Free  
Information**

800-841-7999

**Savings Incentive Match Plan for  
Employees of Small Employers (SIMPLE)—  
for Use With a Designated Financial Institution**

Name of Employer \_\_\_\_\_

establishes the following SIMPLE

IRA plan under section 408(p) of the Internal Revenue Code and pursuant to the instructions contained in this form.

**Article I—Employee Eligibility Requirements** *(complete applicable box(es) and blanks—see instructions)*

- 1 General Eligibility Requirements.** The Employer agrees to permit salary reduction contributions to be made to each calendar year to the SIMPLE individual retirement account of annuity established at the designated financial institution (SIMPLE IRA) for each employee who meets the following requirements (select either 1a or 1b):
- a**  **Full Eligibility.** All employees are eligible.
- b**  **Limited Eligibility.** Eligibility is limited to employees who are described in both (i) and (ii) below:
- (i) Current compensation.** Employees who are reasonably expected to receive at least \$ \_\_\_\_\_ in compensation (not to exceed \$5,000) for calendar year.
- (ii) Prior compensation.** Employees who have received at least \$ \_\_\_\_\_ in compensation (not to exceed \$5,000) during any \_\_\_\_\_ calendar year(s) (insert 0, 1, or 2) preceding the calendar year.
- 2 Excludable Employees**
- The Employer elects to exclude employees covered under a collective bargaining agreement for which retirement benefits were the subject of good faith bargaining. **Note:** *This box is deemed checked if the Employer maintains a qualified plan covering only such employees.*

**Article II—Salary Reduction Agreements** *(complete the box and blank, if applicable—see instructions)*

- 1 Salary Reduction Election.** 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. See instructions.
- 2 Timing of Salary Reduction Elections**
- a** For a calendar year, an eligible employee may make or modify a salary reduction election during the 60-day period immediately preceding January 1 of that year. However, for the year in which the employee becomes eligible to make salary reduction contributions, the period during which the employee may make or modify the election is a 60-day period that includes either the date the employee becomes eligible or the day before.
- b** In addition to the election periods in 2a, eligible employees may make salary reduction elections or modify prior elections \_\_\_\_\_. If the Employer chooses this option, insert a period or periods (e.g., semi-annually, quarterly, monthly, or daily) that will apply uniformly to all eligible employees.
- c** No salary reduction election may apply to compensation that an employee received, or had a right to immediately receive, before execution of the salary reduction election.
- d** An employee may terminate a salary reduction election at any time during the calendar year.  If this box is checked, an employee who terminates a salary reduction election not in accordance with 2b may not resume salary reduction contributions during the calendar year.

**Article III—Contributions** *(complete the blank, if applicable—see instructions)*

- 1 Salary Reduction Contributions.** The amount by which the employee agrees to reduce his or her compensation will be contributed by the Employer to the employee's SIMPLE IRA.
- 2a Matching Contributions**
- (i)** For each calendar year, the Employer will contribute a matching contribution to each eligible employee's SIMPLE IRA equal to the employee's salary reduction contributions up to a limit of 3% of the employee's compensation for the calendar year.
- (ii)** The Employer may reduce the 3% limit for the calendar year in (i) only if:
- (1)** The limit is not reduced below 1%; **(2)** The limit is not reduced for more than 2 calendar years during the 5-year period ending with the calendar year the reduction is effective; and **(3)** Each employee is notified of the reduced limit within a reasonable period of time before the employees' 60-day election period for the calendar year (described in Article II, item 2a).
- b Nonelective Contributions**
- (i)** For any calendar year, instead of making matching contributions, the Employer may make nonelective contributions equal to 2% of compensation for the calendar year to the SIMPLE IRA of each eligible employee who has at least \$ \_\_\_\_\_ (not more than \$5,000) in compensation for the calendar year. No more than \$230,000\* in compensation can be taken into account in determining the nonelective contribution for each eligible employee.
- (ii)** For any calendar year, the Employer may make 2% nonelective contributions instead of matching contributions only if:
- (1)** Each eligible employee is notified that a 2% nonelective contribution will be made instead of a matching contribution; and
- (2)** This notification is provided within a reasonable period of time before the employees' 60-day election period for the calendar year (described in Article II, item 2a).
- 3 Time and Manner of Contributions**
- a** The Employer will make the salary reduction contributions (described in 1 above) to the designated financial institution for the IRAs established under this SIMPLE IRA plan no later than 30 days after the end of the month in which the money is withheld from the employee's pay. See instructions.
- b** The Employer will make the matching or nonelective contributions (described in 2a and 2b above) to the designated financial institution for the IRAs established under this SIMPLE IRA plan no later than the due date for filing the Employer's tax return, including extensions, for the taxable year that includes the last day of the calendar year for which the contributions are made.

\* This is the amount for 2008. For later years, the limit may be increased for cost-of-living adjustments. The IRS announces the increase, if any, in a news release, in the Internal Revenue Bulletin, and on the IRS's internet website at [www.irs.gov](http://www.irs.gov).

Article IV—Other Requirements and Provisions

- 1 Contributions in General. The Employer will make no contributions to the SIMPLE IRAs other than salary reduction contributions...
2 Vesting Requirements. All contributions made under this SIMPLE IRA plan are fully vested and nonforfeitable.
3 No Withdrawal Restrictions. The Employer may not require the employee to retain any portion of the contributions in his or her SIMPLE IRA...
4 No Cost Or Penalty For Transfers. The Employer will not impose any cost or penalty on a participant for the transfer of the participant's SIMPLE IRA balance to another IRA.
5 Amendments To This SIMPLE IRA Plan. This SIMPLE IRA plan may not be amended except to modify the entries inserted in the blanks or boxes provided in Articles I, II, III, VI, and VII.
6 Effects Of Withdrawals and Rollovers
a An amount withdrawn from the SIMPLE IRA is generally includible in gross income. However, a SIMPLE IRA balance may be rolled over or transferred on a tax-free basis to another IRA designed solely to hold funds under a SIMPLE IRA plan.
b If an individual withdraws an amount from a SIMPLE IRA during the 2-year period beginning when the individual first participated in any SIMPLE IRA plan of the Employer and the amount is subject to the additional tax on early distributions under section 72(t), this additional tax is increased from 10% to 25%.

Article V—Definitions

- 1 Compensation
a General Definition of Compensation. Compensation means the sum of wages, tips, and other compensation from the Employer subject to federal income tax withholding...
b Compensation for Self-Employed Individuals. For self-employed individuals, compensation means the net earnings from self-employment determined under section 1402(a), without regard to section 1402(c)(6), prior to subtracting any contributions made pursuant to this plan on behalf of the individual.
2 Employee. Employee means a common-law employee of the Employer. The term employee also includes a self-employed individual and a leased employee described in section 414(n) but does not include a nonresident alien who received no earned income from the Employer that constitutes income from sources within the United States.
3 Eligible Employee. An eligible employee means an employee who satisfies the conditions in Article I, item 1 and is not excluded under Article I, item 2.
4 Designated Financial Institution. A designated financial institution is a trustee, custodian, or insurance company (that issues annuity contracts) for the SIMPLE IRA plan that receives all contributions made pursuant to the SIMPLE IRA plan and deposits those contributions to the SIMPLE IRA of each eligible employee.

Article VI—Procedures for Withdrawal (The designated financial institution will provide the instructions (to be attached or inserted in the space below) on the procedures for withdrawals of contributions by employees.)

Article VII—Effective Date

This SIMPLE IRA plan is effective . See instructions.

\* \* \* \* \*

Name of Employer

By: Signature Date

Address of Employer

Name and title

The undersigned agrees to serve as designated financial institution, receiving all contributions made pursuant to this SIMPLE IRA plan and depositing those contributions to the SIMPLE IRA of each eligible employee as soon as practicable. Upon the request of any participant, the undersigned also agrees to transfer the participant's balance in a SIMPLE IRA established under this SIMPLE IRA plan to another IRA without cost or penalty to the participant.

Vanguard Fiduciary Trust Company

Elizabeth C. Kerwood 9/1/2008

Name of designated financial institution

By: Signature Date

P.O. Box 1106, Valley Forge, PA 19482-1106

Elizabeth C. Kerwood

Address

Name and title

## Model Notification to Eligible Employees

### I. Opportunity to Participate in the SIMPLE IRA Plan

You are eligible to make salary reduction contributions to the \_\_\_\_\_ SIMPLE IRA plan. This notice and the attached summary description provide you with information that you should consider before you decide whether to start, continue, or change your salary reduction agreement.

### II. Employer Contribution Election

For the \_\_\_\_\_ calendar year, the Employer elects to contribute to your SIMPLE IRA (*employer must select either (1), (2), or (3)*):

- (1) A matching contribution equal to your salary reduction contributions up to a limit of 3% of your compensation for the year;
- (2) A matching contribution equal to your salary reduction contributions up to a limit of \_\_\_\_\_ % (*employer must insert a number from 1 to 3 and is subject to certain restrictions*) of your compensation for the year; or
- (3) A nonelective contribution equal to 2% of your compensation for the year (limited to \$230,000\*) if you are an employee who makes at least \$ \_\_\_\_\_ (*employer must insert an amount that is \$5,000 or less*) in compensation for the year.

### III. Administrative Procedures

To start or change your salary reduction contributions, you must complete the salary reduction agreement and return it to \_\_\_\_\_ (*employer should designate a place or individual*) by \_\_\_\_\_ (*employer should insert a date that is not less than 60 days after notice is given*).

## Model Salary Reduction Agreement

### I. Salary Reduction Election

Subject to the requirements of the SIMPLE IRA plan of \_\_\_\_\_ (*name of employer*) I authorize \_\_\_\_\_ % or \$ \_\_\_\_\_ (which equals \_\_\_\_\_ % of my current rate of pay) to be withheld from my pay for each pay period and contributed to my SIMPLE IRA as a salary reduction contribution.

### II. Maximum Salary Reduction

I understand that the total amount of my salary reduction contributions in any calendar year cannot exceed the applicable amount for that year. See instructions.

### III. Date Salary Reduction Begins

I understand that my salary reduction contributions will start as soon as permitted under the SIMPLE IRA plan and as soon as administratively feasible or, if later, \_\_\_\_\_. (*Fill in the date you want the salary reduction contributions to begin. The date must be after you sign this agreement.*)

### IV. Duration of Election

This salary reduction agreement replaces any earlier agreement and will remain in effect as long as I remain an eligible employee under the SIMPLE IRA plan or until I provide my Employer with a request to end my salary reduction contributions or provide a new salary reduction agreement as permitted under this SIMPLE IRA plan.

Signature of employee \_\_\_\_\_ Date \_\_\_\_\_

\* This is the amount for 2008. For later years, the limit may be increased for cost-of-living adjustments. The IRS announces the increase, if any, in a news release, in the Internal Revenue Bulletin, and on the IRS website at [www.irs.gov](http://www.irs.gov).



## General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

### Purpose of Form

Form 5305-SIMPLE is a model Savings Incentive Match Plan for Employees of Small Employers (SIMPLE) plan document that an employer may use in combination with SIMPLE IRAs to establish a SIMPLE IRA plan described in section 408(p).

These instructions are designed to assist in the establishment and administration of the SIMPLE IRA plan. They are not intended to supersede any provision in the SIMPLE IRA plan.

Do not file Form 5305-SIMPLE with the IRS. Instead, keep it with your records.

For more information, see Pub. 560, Retirement Plans for Small Business (SEP, SIMPLE, and Qualified Plans), and Pub. 590, Individual Retirement Arrangements (IRAs).

**Note.** If you used the March 2002 or August 2005 version of Form 5305-SIMPLE to establish a model Savings Incentive Match Plan, you are not required to use this version of the form.

## Instructions for the Employer

### Which Employers May Establish and Maintain a SIMPLE IRA Plan?

To establish and maintain a SIMPLE IRA plan, you must meet both of the following requirements:

1. Last calendar year, you had no more than 100 employees (including self-employed individuals) who earned \$5,000 or more in compensation from you during the year. If you have a SIMPLE IRA plan but later exceed this 100-employee limit, you will be treated as meeting the limit for the 2 years following the calendar year in which you last satisfied the limit.

2. You do not maintain during any part of the calendar year another qualified plan with respect to which contributions are made, or benefits are accrued, for service in the calendar year. For this purpose, a qualified plan (defined in section 219(g)(5)) includes a qualified pension plan, a profit-sharing plan, a stock bonus plan, a qualified annuity plan, a tax-sheltered annuity plan, and a simplified employee pension (SEP) plan. A qualified plan that only covers employees covered under a collective bargaining agreement for which retirement benefits were the subject of good faith bargaining is disregarded if

these employees are excluded from participating in the SIMPLE IRA plan.

If the failure to continue to satisfy the 100-employee limit or the one-plan rule described in 1 or 2 above is due to an acquisition or similar transaction involving your business, special rules apply. Consult your tax advisor to find out if you can still maintain the plan after the transaction.

Certain related employers (trades or businesses under common control) must be treated as a single employer for purposes of the SIMPLE requirements. These are:

- (1) a controlled group of corporations under section 414(b);
- (2) a partnership or sole proprietorship under common control under section 414(c); or
- (3) an affiliated service group under section 414(m). In addition, if you have leased employees required to be treated as your own employees under the rules of section 414(n), then you must count all such leased employees for the requirements listed above.

### What Is a SIMPLE IRA Plan?

A SIMPLE IRA plan is a written arrangement that provides you and your employees with an easy way to make contributions to provide retirement income for your employees. Under a SIMPLE IRA plan, employees may choose whether to make salary reduction contributions to the SIMPLE IRA plan rather than receiving these amounts as part of their regular compensation. In addition, you will contribute matching or nonelective contributions on behalf of eligible employees (see *Employee Eligibility Requirements* below and *Contributions* on page 5). All contributions under this plan will be deposited into a SIMPLE individual retirement account or annuity established for each eligible employee with the designated financial institution named in Article VII.

### When To Use Form 5305-SIMPLE

A SIMPLE IRA plan may be established by using this Model Form or any other document that satisfies the statutory requirements.

Do not use Form 5305-SIMPLE if:

1. You want to permit each of your eligible employees to choose a financial institution that will initially receive contributions. Instead, use Form 5304-SIMPLE, Savings Incentive Match Plan for Employees of Small Employers (SIMPLE)—Not for Use With a Designated Financial Institution;
2. You want employees who are nonresident aliens receiving no earned

income from you that constitutes income from sources within the United States to be eligible under this plan; or

3. You want to establish a SIMPLE 401(k) plan.

### Completing Form 5305-SIMPLE

Pages 1 and 2 of Form 5305-SIMPLE contain the operative provisions of your SIMPLE IRA plan. This SIMPLE IRA plan is considered adopted when you have completed all appropriate boxes and blanks and it has been executed by you and the designated financial institution.

The SIMPLE IRA plan is a legal document with important tax consequences for you and your employees. You may want to consult with your attorney or tax advisor before adopting this plan.

### Employee Eligibility Requirements (Article I)

Each year for which this SIMPLE IRA plan is effective, you must permit salary reduction contributions to be made by all of your employees who are reasonably expected to receive at least \$5,000 in compensation from you during the year, and who received at least \$5,000 in compensation from you in any 2 preceding years. However, you can expand the group of employees who are eligible to participate in the SIMPLE IRA plan by completing the options provided in Article I, items 1a and 1b. To choose full eligibility, check the box in Article I, item 1a. Alternatively, to choose limited eligibility, check the box in Article I, item 1b, and then insert "\$5,000" or a lower compensation amount (including zero) and "2" or a lower number of years of service in the blanks in (i) and (ii) of Article I, item 1b.

In addition, you can exclude from participation those employees covered under a collective bargaining agreement for which retirement benefits were the subject of good faith bargaining. You may do this by checking the box in Article I, item 2. Under certain circumstances, these employees must be excluded. See *Which Employers May Establish and Maintain a SIMPLE IRA Plan?* earlier.

### Salary Reduction Agreements (Article II)

As indicated in Article II, item 1, a salary reduction agreement permits an eligible employee to make an election to have his or her compensation for each pay period reduced by a percentage (expressed as a percentage or dollar amount). The total amount of the reduction in the employee's compensation cannot exceed the

applicable amount for any calendar year. The applicable amount is \$10,500 for 2008. After 2008, the \$10,500 amount may be increased for cost-of-living adjustments. In the case of an eligible employee who is 50 or older by the end of the calendar year, the above limitation is increased by \$2,500 for 2008. After 2008, the \$2,500 amount may be increased for cost-of-living adjustments.

### Timing of Salary Reduction Elections

For a calendar year, an eligible employee may make or modify a salary reduction election during the 60-day period immediately preceding January 1 of that year. However, for the year in which the employee becomes eligible to make salary reduction contributions, the period during which the employee may make or modify the election is a 60-day period that includes either the date the employee becomes eligible or the day before.

You can extend the 60-day election periods to provide additional opportunities for eligible employees to make or modify salary reduction elections using the blank in Article II, item 2b. For example, you can provide that eligible employees may make new salary reduction elections or modify prior elections for any calendar quarter during the 30 days before that quarter.

You may use the *Model Salary Reduction Agreement* on page 3 to enable eligible employees to make or modify salary reduction elections.

Employees must be permitted to terminate their salary reduction elections at any time. They may resume salary reduction contributions for the year if permitted under Article II, item 2b. However, by checking the box in Article II, item 2d, you may prohibit an employee who terminates a salary reduction election outside the normal election cycle from resuming salary reduction contributions during the remainder of the calendar year.

### Contributions (Article III)

Only contributions described below may be made to this SIMPLE IRA plan. No additional contributions may be made.

#### Salary Reduction Contributions

As indicated in Article III, item 1, salary reduction contributions consist of the amount by which the employee agrees to reduce his or her compensation. You must contribute the salary reduction contributions to the designated financial institution for the employee's SIMPLE IRA.

### Matching Contributions

In general, you must contribute a matching contribution to each eligible employee's SIMPLE IRA equal to the employee's salary reduction contributions. This matching contribution cannot exceed 3% of the employee's compensation. See *Definition of Compensation* below.

You may reduce this 3% limit to a lower percentage, but not lower than 1%. You cannot lower the 3% limit for more than 2 calendar years out of the 5-year period ending with the calendar year the reduction is effective.

**Note.** If any year in the 5-year period described above is a year before you first established any SIMPLE IRA plan, you will be treated as making a 3% matching contribution for that year for purposes of determining when you may reduce the employer matching contribution.

To elect this option, you must notify the employees of the reduced limit within a reasonable period of time before the applicable 60-day election periods for the year. See *Timing of Salary Reduction Elections* above.

### Nonelective Contributions

Instead of making a matching contribution, you may, for any year, make a nonelective contribution equal to 2% of compensation for each eligible employee who has at least \$5,000 in compensation for the year. Nonelective contributions may not be based on more than \$230,000\* of compensation.

To elect to make nonelective contributions, you must notify employees within a reasonable period of time before the applicable 60-day election periods for such year. See *Timing of Salary Reduction Elections* above.

**Note.** Insert "\$5,000" in Article III, item 2b(i) to impose the \$5,000 compensation requirement. You may expand the group of employees who are eligible for nonelective contributions by inserting a compensation amount lower than \$5,000.

### Effective Date (Article VII)

Insert in Article VII the date you want the provisions of the SIMPLE IRA plan to become effective. You must insert January 1 of the applicable year unless this is the first year for which you are adopting any SIMPLE IRA plan. If this is the first year for which you are adopting a SIMPLE IRA plan, you may insert any date between January 1 and October 1, inclusive of the applicable year.

## Additional Information

### Timing of Salary Reduction Contributions

The employer must make the salary reduction contributions to the designated financial institution for the SIMPLE IRAs of all eligible employees no later than the 30th day of the month following the month in which the amounts would otherwise have been payable to the employee in cash.

The Department of Labor has indicated that most SIMPLE IRA plans are also subject to Title I of the Employee Retirement Income Security Act of 1974 (ERISA). Under Department of Labor regulations, at 29 CFR 2510.3-102, salary reduction contributions must be made to the SIMPLE IRA at the designated financial institution as of the earliest date on which those contributions can reasonably be segregated from the employer's general assets, but in no event later than the 30-day deadline described previously.

### Definition of Compensation

"Compensation" means the amount described in section 6051(a)(3) (wages, tips, and other compensation from the employer subject to federal income tax withholding under section 3401(a)), and amounts paid for domestic service in a private home, local college club, or local chapter of a college fraternity or sorority. Usually, this is the amount shown in box 1 of Form W-2, Wage and Tax Statement. For further information, see Pub. 15, Circular E, Employer's Tax Guide. Compensation also includes the salary reduction contributions made under this plan, and, if applicable, compensation deferred under a section 457 plan. In determining an employee's compensation for prior years, the employee's elective deferrals under a section 401(k) plan, a SARSEP, or a section 403(b) annuity contract are also included in the employee's compensation.

For self-employed individuals, compensation means the net earnings from self-employment determined under section 1402(a), without regard to section 1402(c)(6), prior to subtracting any contributions made pursuant to this SIMPLE IRA plan on behalf of the individual.

\* This is the amount for 2008. For later years, the limit may be increased for cost-of-living adjustments. The IRS announces the increase, if any, in a news release, in the Internal Revenue Bulletin, and on the IRS's website at [www.irs.gov](http://www.irs.gov).



## Employee Notification

You must notify eligible employees prior to the employees' 60-day election period described above that they can make or change salary reduction elections. In this notification, you must indicate whether you will provide:

1. A matching contribution equal to your employees' salary reduction contributions up to a limit of 3% of their compensation;
2. A matching contribution equal to your employees' salary reduction contributions subject to a percentage limit that is between 1 and 3% of their compensation; or
3. A nonelective contribution equal to 2% of your employees' compensation.

You can use the *Model Notification to Eligible Employees* on page 3 to satisfy these employee notification requirements for this SIMPLE IRA plan. A Summary Description must also be provided to eligible employees at this time. This summary description requirement may be satisfied by providing a completed copy of pages 1 and 2 of Form 5305-SIMPLE (including the Article VI Procedures for Withdrawals and Transfers from the SIMPLE IRAs established under this SIMPLE IRA plan).

If you fail to provide the employee notification (including the summary description) described above, you will be liable for a penalty of \$50 per day until the notification is provided. If you can show that the failure was due to reasonable cause, the penalty will not be imposed.

## Reporting Requirements

You are not required to file any annual information returns for your SIMPLE IRA plan, such as Form 5500, Annual Return/Report of Employee Benefit Plan or Form 5500-EZ, Annual Return of One-Participant (Owners and Their Spouses) Retirement Plan. However, you must report to the IRS which eligible employees are active participants in the SIMPLE IRA plan and the amount of your employees' salary reduction contributions to the SIMPLE IRA plan on Form W-2. These contributions are subject to social security, Medicare, railroad retirement, and federal unemployment tax.

## Deducting Contributions

Contributions to this SIMPLE IRA plan are deductible in your tax year containing the end of the calendar year for which the contributions are made.

Contributions will be treated as made for a particular tax year if they are made for that year and are made by the due date (including extensions) of your income tax return for that year.

## Choosing the Designated Financial Institution

As indicated in Article V, item 4, a designated financial institution is a trustee, custodian, or insurance company (that issues annuity contracts) for the SIMPLE IRA plan that would receive all contributions made pursuant to the SIMPLE IRA plan and deposit the contributions to the SIMPLE IRA of each eligible employee.

Only certain financial institutions, such as banks, savings and loan associations, insured credit unions, insurance companies (that issue annuity contracts), or IRS-approved nonbank trustees may serve as a designated financial institution under a SIMPLE IRA plan.

You are not required to choose a designated financial institution for your SIMPLE IRA plan. However, if you do not want to choose a designated financial institution, you cannot use this form (see *When To Use Form 5305-SIMPLE* on page 4).

## Instructions for the Designated Financial Institution

### Completing Form 5305-SIMPLE

By completing Article VII, you have agreed to be the designated financial institution for this SIMPLE IRA plan. You agree to maintain IRAs on behalf of all individuals receiving contributions under the plan and to receive all contributions made pursuant to this plan and to deposit those contributions to the SIMPLE IRAs of each eligible employee as soon as practicable. You also agree that upon the request of a participant, you will transfer the participant's balance in a SIMPLE IRA to another IRA without cost or penalty to the participant.

### Summary Description

Each year the SIMPLE IRA plan is in effect, you must provide the employer the information described in section 408(l)(2)(B). This requirement may be satisfied by providing the employer a current copy of Form 5305-SIMPLE (including instructions) together with your

procedures for withdrawals and transfers from the SIMPLE IRAs established under this SIMPLE IRA plan. The summary description must be received by the employer in sufficient time to comply with the *Employee Notification* requirements on this page.

If you fail to provide the summary description described above, you will be liable for a penalty of \$50 per day until the notification is provided. If you can show that the failure was due to reasonable cause, the penalty will not be imposed.

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**Paperwork Reduction Act Notice.** You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete this form will vary depending on individual circumstances. The estimated average time is:

**Recordkeeping** . . . . 3 hr., 38 min.

**Learning about the law or the form** . . . . 2 hr., 26 min.

**Preparing the form.** . . . . 47 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can write to the Internal Revenue Service, Tax Products Coordinating Committee, SE:W:CAR:MP:T:T:SP, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224. Do not send this form to this address. Instead, keep it for your records.



# SIMPLE IRA Plan Authorization

Print clearly, preferably in capital letters and black ink.

**Employer: Complete this form to...**

- Establish or maintain a SIMPLE IRA. (Complete a separate form for each plan you want to have at Vanguard.)
- Designate an administrator who you want to have full access to the plan by telephone, by mail, or via Vanguard Small Business Online®, a secure website. (All contributions to a SIMPLE IRA must be submitted through this website.)
- Identify plan contacts, if any, who will be given partial security clearance for your organization’s retirement plan.

The **administrator** you identify on this form will be able to view, update, and submit contribution data, plan participant information, and bank information for your plan. In addition, this individual will be able to add, maintain, and delete the following *optional plan contact* roles on Vanguard Small Business Online:

- **Plan contact with access to banking information.** Will be able to view, update, and submit contribution data, participant information, and bank information for your plan.
- **Plan contact without access to banking information.** Will be able to view, update, and submit contribution data and participant information for your plan, but will not have access to your bank information.

Only the individuals named as **administrator**, **plan contact with access to banking information**, and **plan contact without access to banking information** will be given authority to contact Vanguard by phone, online, and by mail to verify plan information as authorized on this form. Each individual will receive log-on instructions necessary to access your plan information on Vanguard Small Business Online.

To get assistance in filling out this form or to order additional copies, call us at **800-841-7999**. Mail to **Vanguard, P.O. Box 1110, Valley Forge, PA 19482-1110**. For overnight delivery, mail to **Vanguard, 455 Devon Park Drive, Wayne, PA 19087-1815**.

## 1. Employer Information

Check the box that applies to your plan. (**Note:** If you already have a plan with Vanguard, you will no longer receive Plan Deposit and Confirmation Statements by mail when you complete this form because you will be able to access this information on Vanguard Small Business Online.)

New Plan

Existing Plan   
Plan Identification Number

Name of Organization (*Do not use acronyms.*)

Street Address

City

State

Zip

Telephone Number

Office Hours



## 2. Administrator Information—REQUIRED

Provide the information for the individual who will be given plan access. (You may designate yourself as the administrator.) **This individual will have the ability to add, change, or delete the plan contact with access to banking information and plan contact without access to banking information (if any)** and to obtain, update, and submit contribution data, participant information, and bank information for your plan by phone, online, and by mail.

Name of Administrator *(first, middle initial, last)*

Social Security Number *(required for online access)*

Business Telephone Number

E-Mail Address *(required for online access)*

## 3. Plan Contact With Access to Banking Information *(optional)*

You may identify at least one employee to be given access to view, update, and submit contribution data, participant information, and bank information for your plan. You may also designate a **plan contact without access to banking information in Section 4**. The **administrator designated in Section 2** will be responsible for adding or changing this information on Vanguard Small Business Online.

Name of Plan Contact With Access to Banking Information *(first, middle initial, last)*

Social Security Number *(required for online access)*

Business Telephone Number

E-Mail Address *(required for online access)*

Name of Plan Contact With Access to Banking Information *(first, middle initial, last)*

Social Security Number *(required for online access)*

Business Telephone Number

E-Mail Address *(required for online access)*

## 4. Plan Contact Without Access to Banking Information *(optional)*

You may identify at least one employee or representative (i.e. third-party plan administrator) to be given access to view, update, and submit contribution data and participant information for your plan, but to have *no access to your banking information*. The **administrator designated in Section 2** will be responsible for adding or changing this information on Vanguard Small Business Online.

Name of Plan Contact Without Access to Banking Information *(first, middle initial, last)*

Social Security Number *(required for online access)*

Business Telephone Number

E-Mail Address *(required for online access)*

**Address Information** *(required for third-party administrators):*


Company Name

Street Address

City

State

Zip

Telephone Number

Office Hours

E-Mail Address

**5. Signature of Employer—YOU MUST SIGN BELOW**

I certify that I am the employer or, if an organization is the employer, the person appointed to act for the employer named in **Section 1**. I am authorized to appoint representatives for the retirement plan identified in **Section 1**. I certify that any instruction to Vanguard by me, the administrator, or a plan contact to send e-mail correspondence to any employee, contractor, or agent of the employer is the result of a request by or agreement of the recipient employee, contractor, or agent to receive such e-mail correspondence. As the employer or on behalf of the employer, I agree to indemnify and hold Vanguard and each of the investment company members of The Vanguard Group harmless from acting upon instructions believed to have originated from the administrator, the plan contact with access to banking information, the plan contact without access to banking information, or other authorized representatives appointed in this form or hereafter designated in accordance with procedures established by Vanguard.

The authorization and agreement contained in this form are to remain in full force and effect until revoked in writing by the employer and delivered to Vanguard. A revocation will not affect any liability resulting from transactions initiated before Vanguard has had a reasonable amount of time to act upon the revocation.

I agree to submit all my plan contribution information through Vanguard Small Business Online.

**Signature of Employer**

Date *(month, day, year)*



# SIMPLE IRA New Account Form

Use this form to establish a SIMPLE IRA.

Do not use this form for a traditional IRA or Roth IRA. Contact Vanguard for the appropriate form.

Print in capital letters and use black ink.

**Questions?**  
Call 800-662-2739.

If you need other forms, visit our website at [www.vanguard.com/serviceforms](http://www.vanguard.com/serviceforms).

## 1. Employee Information

Provide the full, legal name. >

Name <i>first, middle initial, last</i>	
Birth Date <i>mm/dd/yyyy</i>	E-Mail Address <i>optional</i>
Daytime Phone <i>area code, number, extension</i>	Evening Phone <i>area code, number, extension</i>
Social Security Number or Individual Taxpayer ID Number	

You must complete this entire section. >

### Citizenship

U.S.    Resident alien    Nonresident alien

Country of Citizenship *if not U.S.*

### Tax Residency

U.S.    Other

Country of Tax Residence *if not U.S.*

### Mailing Address

Street or P.O. Box	Country <i>if not U.S.</i>
City, State, Zip	

This is required if it is different from mailing address or if mailing address is a P.O. box. >

### Street Address *A P.O. box or rural route is NOT acceptable; address can be military APO or FPO.*

Street	Country <i>if not U.S.</i>
City, State, Zip	

## 2. Plan Information

If you are transferring assets from another financial institution, complete a SIMPLE IRA Asset Transfer Form and mail it with this form.

Check and complete one of the plan options below.

Your employer must complete a SIMPLE IRA Plan Authorization and mail it with this form. >

New SIMPLE IRA plan.  
This is a new Vanguard SIMPLE IRA plan.

Existing multiple-participant plan.  
This is a new SIMPLE IRA in my employer's existing Vanguard SIMPLE IRA plan.

Obtain this number from your employer. >

Plan Identification Number

If you check this box, you must also complete a SIMPLE IRA Asset Transfer Form. Skip to Section 4. >

New frozen account.  
This new account will be used solely for accepting SIMPLE IRA assets transferred from another financial institution. I will not make any current employee or employer contributions to this account.

### 3. Employer Information

Name of Institution	
Street Address	City, State, Zip
Phone <i>area code, number, extension</i>	Contact Person or Department <i>if known</i>

### 4. Funds You Would Like to Invest In

Refer to the enclosed fund prospectus(es) or visit [www.vanguard.com](http://www.vanguard.com) for fund names, fund numbers, and minimum initial investment amounts.

If you do not specify any funds, or if your asset transfer does not meet the minimum investment for a fund, that money will be invested in Vanguard Prime Money Market Fund. If you do not provide percentages, your investment will be divided equally among the funds you indicate.

If you are investing in a fund with a minimum initial investment of \$10,000 or more, you must meet the minimum investment for that fund.

Fund Name	Fund Number	Percentage
		%
		%
		%
		%

**Note:** Vanguard charges participants an annual account service fee of \$25 for each mutual fund they hold in their Vanguard SIMPLE IRA. We will withdraw the fee directly from the fund accounts in June each year. This fee does not apply to members of our enhanced services, which require a minimum of \$100,000 in total household assets held at Vanguard by you and your immediate family members who reside at the same address. If you have a SIMPLE IRA, you must have an additional Vanguard mutual fund account relationship to qualify for enhanced services.

<b>Total</b>	100%
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### Mailing Information

Make a copy of your completed form for your records.

Mail your completed form and any attached information in the enclosed postage-paid envelope.

If you do not have a postage-paid envelope, mail to: Vanguard  
P.O. Box 1110  
Valley Forge, PA 19482-1110

For overnight delivery, mail to: Vanguard  
455 Devon Park Drive  
Wayne, PA 19087-1815

## 5. Beneficiaries for This Account

If you have an existing Vanguard SIMPLE IRA, you should skip to Section 6; we will apply your existing beneficiary designation(s) to your new SIMPLE IRA. If you choose to complete this section, we will apply the new designation(s) to all your Vanguard SIMPLE IRAs.

### Primary Beneficiaries *Check all that apply.*

Those you designate as your primary beneficiaries will be first to inherit your IRA assets upon your death. Indicate the percentages of your assets to be distributed to the designated primary beneficiaries upon your death. The total must equal 100%.

#### My Spouse

If you select "To the person I am married to at the time of my death," your assets will be distributed to whoever is your spouse at that time.

Check only one option; do not check both boxes. >	<input type="checkbox"/> To the person named here										
	<table border="1"> <tr> <td>Name <i>first, middle initial, last</i></td> <td>Birth Date <i>mm/dd/yyyy</i></td> <td>%</td> </tr> <tr> <td colspan="3"><i>or</i></td> </tr> <tr> <td><input type="checkbox"/> To the person I am married to at the time of my death</td> <td></td> <td>%</td> </tr> </table>	Name <i>first, middle initial, last</i>	Birth Date <i>mm/dd/yyyy</i>	%	<i>or</i>			<input type="checkbox"/> To the person I am married to at the time of my death		%	
Name <i>first, middle initial, last</i>	Birth Date <i>mm/dd/yyyy</i>	%									
<i>or</i>											
<input type="checkbox"/> To the person I am married to at the time of my death		%									

#### My Descendants

If you want your assets divided into unequal amounts, list the names of the individuals below. >	<input type="checkbox"/> To my descendants who survive me, per stirpes Your assets will be divided equally among your children. If a child is deceased, the entire portion due to that child will be divided equally among his or her children (if any).	%
	<input type="checkbox"/> Equally to my grandchildren who survive me	%

#### Individuals

<input type="checkbox"/> Name of Individual <i>first, middle initial, last</i>	Birth Date <i>mm/dd/yyyy</i>	%
<input type="checkbox"/> Name of Individual <i>first, middle initial, last</i>	Birth Date <i>mm/dd/yyyy</i>	%

#### Trusts

This applies to existing trusts only; you cannot create a trust with this form. >	<input type="checkbox"/> To the trustee of an existing trust created under an agreement				
	<table border="1"> <tr> <td>Name of Trust</td> <td>Date of Trust <i>mm/dd/yyyy</i></td> <td>%</td> </tr> </table>	Name of Trust	Date of Trust <i>mm/dd/yyyy</i>	%	
Name of Trust	Date of Trust <i>mm/dd/yyyy</i>	%			
<input type="checkbox"/> To the trustee of a trust created under my last will					
Name of Trust or Section of Will		%			

#### Other

If you check this box, provide the percentage, then skip to Section 6. >	<input type="checkbox"/> Organization or Charity <i>Provide name.</i>	%
	<input type="checkbox"/> My Estate	%

If the percentages do not total 100%, Vanguard will allocate equal percentages totaling 100%. >

Total	100%
-------	------

**Secondary Beneficiaries** *Check all that apply.*

Those you designate as your secondary beneficiaries will inherit your assets only if there are no surviving primary beneficiaries upon your death. Indicate the percentages of your assets to be distributed to the designated secondary beneficiaries upon your death. The total must equal 100%.

**My Spouse**

If you select "To the person I am married to at the time of my death," your assets will be distributed to whoever is your spouse at that time.

Check only one option; do not check both boxes.

<input type="checkbox"/> To the person named here		
<b>Name</b> <i>first, middle initial, last</i>	<b>Birth Date</b> <i>mm/dd/yyyy</i>	%
<i>or</i>		
<input type="checkbox"/> To the person I am married to at the time of my death		%

**My Descendants**

If you want your assets divided into unequal amounts, list the names of the individuals below.

<input type="checkbox"/> To my descendants who survive me, per stirpes Your assets will be divided equally among your children. If a child is deceased, the entire portion due to that child will be divided equally among his or her children (if any).		%
<input type="checkbox"/> Equally to my grandchildren who survive me		%

**Individuals**

<input type="checkbox"/> <b>Name of Individual</b> <i>first, middle initial, last</i>	<b>Birth Date</b> <i>mm/dd/yyyy</i>	%
<input type="checkbox"/> <b>Name of Individual</b> <i>first, middle initial, last</i>	<b>Birth Date</b> <i>mm/dd/yyyy</i>	%

**Trusts**

This applies to existing trusts only; you cannot create a trust with this form.

<input type="checkbox"/> To the trustee of an existing trust created under an agreement		
<b>Name of Trust</b>	<b>Date of Trust</b> <i>mm/dd/yyyy</i>	%
<input type="checkbox"/> To the trustee of a trust created under my last will		
<b>Name of Trust or Section of Will</b>		%

**Other**

<input type="checkbox"/> <b>Organization or Charity</b> <i>Provide name.</i>		%
<input type="checkbox"/> <b>My Estate</b>		%

If the percentages do not total 100%, Vanguard will allocate equal percentages totaling 100%.

<b>Total</b> 100%
----------------------

## 6. Signature of Account Owner *Read carefully before signing.*

**Important information about opening a new account.** Vanguard is required by federal law to obtain from each person who opens an account certain personal information—including name, street address, and date of birth—that will be used to verify identity. If you do not provide us with this information, we will not be able to open the account. If we are unable to verify your identity, Vanguard reserves the right to close your account or take other steps we deem reasonable.

I hereby adopt the Vanguard SIMPLE IRA Custodial Account Agreement that is incorporated herein by reference and that I acknowledge having received and read. I further acknowledge having received and read the Vanguard SIMPLE IRA Disclosure Statement and a prospectus for each Vanguard fund I selected under this agreement.


I agree to be bound by the terms and conditions established by Vanguard Fiduciary Trust Company (VFTC), the custodian of my SIMPLE IRA, for an IRA beneficiary designation. If, for any reason, I do not have a beneficiary at the time of my death, my beneficiary will be what is stated as the default under the Vanguard SIMPLE IRA Custodial Account Agreement in effect at the time of my death. I acknowledge that VFTC may require additional information upon my death to determine the identity or interest of the beneficiary or beneficiaries. In such event, I acknowledge that VFTC shall have no independent duty to obtain or verify such information but may instead rely upon the representations of an authorized party such as the executor or administrator of my estate or, if a trust beneficiary, the trustee of that trust (my fiduciary). I agree that VFTC shall have no liability for, and shall be fully indemnified against, any cost or damage it incurs in connection with its good-faith reliance on such representations. If no such fiduciary is appointed or if my fiduciary is unable to provide the required information, VFTC reserves the right to request whatever documentation it deems appropriate before making distributions or transferring ownership to a beneficiary.

I understand that if I have completed Section 5, the new beneficiary designations will apply to all of my Vanguard SIMPLE IRAs.

- If I am a U.S. citizen, a U.S. resident alien, or a representative of a U.S. entity, I certify under penalty of perjury that:
  1. The taxpayer ID number I have given on this form is correct.
  2. I am a U.S. citizen or other U.S. person (as defined by the IRS in its W-9 instructions).
- If I am a nonresident alien, I am required to complete the appropriate Form W-8 to certify my foreign status. I understand that I am not under penalty of perjury certifying the above information.

The IRS does not require your consent to any provision of this document.

Sign in the center of the box. ➤

Account Owner's Signature	Date <i>mm/dd/yyyy</i>
Vanguard Fiduciary Trust Company 	Title Senior Vice President



# Access Privileges for Vanguard SEP-IRA and SIMPLE IRA Plans

World Wide Web  
www.vanguard.com

Toll-Free  
Information  
800-662-2739

Role	Description	Required?	Plan access privileges	
			By phone	By mail or at Vanguard Small Business Online®
<b>Plan sponsor</b>	The entity authorizing the plan's creation	Yes	Not applicable	
<b>Administrator*</b>	The employer or the person appointed to act for an organization	Yes	<ul style="list-style-type: none"> <li>• Obtain contribution history</li> <li>• Obtain and update plan information</li> <li>• Add, maintain, and delete plan contact information</li> </ul>	<ul style="list-style-type: none"> <li>• Enroll new employees</li> <li>• Submit plan contributions</li> <li>• Obtain or view contribution history</li> <li>• Obtain, update, or view plan information</li> <li>• Add, maintain, and delete plan contact information</li> <li>• Add and update banking information for your plan</li> </ul>
<b>Plan contact with access to banking information*</b>	Employees who are given some bank-related access in addition to other plan contact privileges	Optional	<ul style="list-style-type: none"> <li>• Obtain contribution history</li> <li>• Obtain certain plan information</li> </ul>	<ul style="list-style-type: none"> <li>• Enroll new employees</li> <li>• Submit plan contributions</li> <li>• Obtain or view contribution history</li> <li>• Obtain or view certain plan information</li> <li>• Add and update banking information for your plan</li> </ul>
<b>Plan contact without access to banking information*</b>	An employee or representative (i.e., third party that administers your plan) who is given limited access to your plan	Optional	<ul style="list-style-type: none"> <li>• Obtain contribution history</li> <li>• Obtain certain plan information</li> </ul>	<ul style="list-style-type: none"> <li>• Enroll new employees</li> <li>• Submit plan contributions</li> <li>• Obtain or view contribution history</li> <li>• Obtain or view certain plan information</li> <li>• Cannot obtain banking information</li> </ul>

\*Only these individuals, as identified on the SIMPLE IRA Plan Authorization form, will have authority to act on the plan.

# The Vanguard SIMPLE IRA Disclosure Statement

This Disclosure Statement describes the general requirements of a SIMPLE IRA (Savings Incentive Match Plan for Employees of Small Employers Individual Retirement Account). A SIMPLE IRA qualifies to receive contributions from a SIMPLE IRA plan described in Section 408(p) of the Internal Revenue Code. This statement is provided in accordance with IRS regulations.

## Section I

### Revocation

You may revoke your Vanguard SIMPLE IRA at any time within seven (7) days after it is established by mailing or delivering a written notice of revocation to Vanguard Fiduciary Trust Company, P.O. Box 1110, Valley Forge, PA 19482-1110. Any notice of revocation will be deemed mailed on the date of postmark (or, if sent by certified or registered mail, the date of certification or registration) if it is deposited in the U.S. Postal Service in an envelope or other appropriate wrapper, first-class postage prepaid, and properly addressed. Upon revocation, you will be entitled to a full refund of your entire SIMPLE IRA contribution without adjustment for administrative expenses, sales commissions (if any), or fluctuations in market value. If you have any questions concerning your right of revocation, please call us toll-free at 800-662-2739 during normal business hours.

## Section II

### Establishment of Your Account

#### A. Statutory Requirements

A SIMPLE IRA is a trust or custodial account established for the exclusive benefit of you and your beneficiaries. It must be created by a written document that meets all of the following requirements:

- 1. Bank trustee or custodian.** A SIMPLE IRA must be established with a qualified trustee or custodian, such as Vanguard Fiduciary Trust Company ("Vanguard"), which is a bank or other entity approved by the IRS. You cannot be your own trustee or custodian.
- 2. Cash contributions by your employer.** All contributions to your SIMPLE IRA, other than asset transfer amounts or rollover contributions (as described in Sections IV and V), must be made in cash by your employer under the terms of a SIMPLE IRA plan described in Section 408(p) of the Internal Revenue Code.
- 3. Fully vested.** The balance of your SIMPLE IRA account must be fully vested and nonforfeitable at all times.
- 4. Prohibitions against life insurance and commingling.** No part of your SIMPLE IRA assets may be invested in life insurance contracts, nor may your SIMPLE IRA assets be commingled with other property except in a common trust fund or common investment fund.
- 5. Distribution rules.** Your SIMPLE IRA must comply with certain minimum distribution requirements, which are described in detail in Section VII(C), both during your lifetime and after your death.

#### B. Tax Consequences

The primary federal income tax consequences of a SIMPLE IRA are the following:

- 1. Tax-deferred earnings.** Earnings and gains on your SIMPLE IRA contributions will not be subject to federal income taxes until you actually receive distributions from your SIMPLE IRA.
- 2. Salary-reduction and employer contributions excluded from income.** All contributions made by your employer to your SIMPLE IRA (including salary-reduction, employer-matching, or employer-nonelective contributions) will not be subject to federal income tax until you actually start receiving distributions.
- 3. Salary-reduction contributions subject to FICA taxes; employer contributions not subject to FICA taxes.** Salary-reduction contributions to a SIMPLE IRA are subject to tax under the Federal Insurance Contributions Act (FICA), the Federal Unemployment Tax Act (FUTA), and the Railroad Retirement Act (RRA). However, employer matching and nonelective contributions to a SIMPLE IRA are not subject to FICA, FUTA, or RRA taxes.
- 4. Taxable distributions.** Distributions from your SIMPLE IRA will generally be taxable as ordinary income in the year of receipt.
- 5. Penalty taxes for early distributions.** Distributions from your SIMPLE IRA before age 59½ might be subject to an additional 10% penalty tax (although exceptions may apply—see Section VII(A)). If the 10% penalty tax applies to a distribution and the distribution is made before the end of the two-year period beginning on the date of the first deposit to your SIMPLE IRA, the 10% penalty tax is increased to 25%.
- 6. Minimum distributions required at age 70½.** You must start receiving certain minimum distributions from your SIMPLE IRA beginning April 1 of the year following the year in which you reach age 70½ (see Section VII(C) for more details).
- 7. State taxes.** The state tax consequences of your SIMPLE IRA will vary from state to state. You are strongly encouraged to consult a tax advisor to determine the state tax consequences of establishing a SIMPLE IRA.

## Section III

### Contributions

#### A. Salary-Reduction Contributions

You may make "salary-reduction contributions" to your SIMPLE IRA. A salary-reduction contribution is a contribution made based on your election with your employer to have an amount contributed to your SIMPLE IRA, instead of having the amount paid directly to you in cash.

- 1. Amount of salary-reduction contributions.** The total salary-reduction contribution you may make to your SIMPLE IRA cannot exceed \$10,000 for 2005 and later years. After 2005, this limit will be periodically adjusted for cost-of-living increases in \$500 increments.

Individuals who will be age 50 or older by the end of the year may contribute an additional amount as a “catch-up” contribution. The catch-up limit is \$2,500 for 2006 and later years. After 2006, this limit will be periodically adjusted for cost-of-living increases in \$500 increments.

- 2. Timing of salary-reduction contributions.** Your employer must send your salary-reduction contributions to the financial institution maintaining your SIMPLE IRA as soon as the amounts can be reasonably segregated from your employer’s general assets, but in no event later than the close of the 30-day period following the last day of the month in which the amounts would otherwise have been payable to you in cash.

## B. Employer-Matching or Employer-Nonelective Contributions

Your employer must make either an employer-matching contribution or an employer-nonelective contribution to your SIMPLE IRA for years during which you are an eligible employee. These contributions plus your salary-reduction contributions described above are the only contributions that may be made under a SIMPLE IRA plan (except for asset transfer amounts or rollover contributions from other SIMPLE IRAs—see Sections IV and V for details).

- 1. Amount of employer-matching contributions.** Under a SIMPLE IRA plan, your employer must generally make a matching contribution equal to your salary-reduction contributions, up to a limit of 3% of your compensation for the entire calendar year (although this 3% limit may be reduced in certain years—see your employer’s plan for details).
- 2. Amount of employer-nonelective contributions.** Instead of making matching contributions under a SIMPLE IRA plan, your employer may make nonelective (nonmatching) contributions equal to 2% of your compensation for the entire calendar year. Your employer may, but is not required to, limit nonelective contributions to only those eligible employees who have at least \$5,000 of compensation for the year. For purposes of the 2% nonelective contribution, the compensation taken into account must be limited to an indexed limit (\$225,000 for 2007).
- 3. Timing of employer-matching or employer-nonelective contributions.** Matching and nonelective employer contributions must be made to the financial institution maintaining your SIMPLE IRA on or before your employer’s due date for filing its federal income tax return, including extensions, for the taxable year that includes the last day of the calendar year for which the contributions are made.

## Section IV

### Transfers

#### A. Transfer From an Existing SIMPLE IRA to a Vanguard SIMPLE IRA

If you already have a SIMPLE IRA with another financial institution, you may authorize a direct transfer of your SIMPLE IRA assets to your Vanguard SIMPLE IRA without paying taxes, subject to the rules and restrictions of your existing account. You may make such a transfer as often as you wish, but such a transfer of assets to a Vanguard SIMPLE IRA is not tax-deductible.

Also, after the expiration of the two-year period beginning on the first day on which contributions made by your employer are deposited into a SIMPLE IRA maintained on your behalf, the amount in that SIMPLE IRA may be directly transferred to a traditional IRA.

If you wish to authorize Vanguard to arrange a direct transfer of assets from the financial institution that sponsors your existing SIMPLE IRA to Vanguard, contact Vanguard to request the proper forms.

#### B. Transfer From a Vanguard SIMPLE IRA

If you direct (in a form and manner acceptable to Vanguard), Vanguard will transfer all or any portion of the assets held in your Vanguard SIMPLE IRA directly to another IRA established on your behalf with another financial institution. The financial institution must certify in writing or some other manner acceptable to Vanguard that it will accept the direct transfer of assets and deposit the transferred assets into an IRA established on your behalf. If you transfer before the expiration of the two-year period beginning on the first day on which contributions made by your employer are deposited into a SIMPLE IRA maintained on your behalf, the asset transfer may be made only to another SIMPLE IRA. After this two-year period, an asset transfer may also be made to an IRA in your name that is not a SIMPLE IRA.

#### C. Transfer Incident to Divorce

All or any portion of your SIMPLE IRA assets may be transferred to a separate SIMPLE IRA for the benefit of your former spouse pursuant to a divorce decree or written instrument incident to divorce. Such a transfer will not result in a taxable event for you or your former spouse. After the transfer, your former spouse will be considered the owner of the SIMPLE IRA transferred for his or her benefit.

## Section V

### Rollovers

#### A. Tax-Free Rollovers in General

A rollover contribution is a contribution to your SIMPLE IRA of cash or other assets you receive as a distribution from another SIMPLE IRA.

A rollover transaction is tax-free; amounts received as distributions and properly rolled over to your SIMPLE IRA are not taxable in the year of receipt. A rollover contribution to your SIMPLE IRA is not tax-deductible.

You may not make a tax-free rollover from a SIMPLE IRA to a non-SIMPLE IRA if the rollover is made before the expiration of the two-year period beginning on the first day on which contributions made by your employer are deposited into a SIMPLE IRA maintained on your behalf. This transaction will be treated as a taxable distribution, not as a tax-free rollover.

#### B. Rollover From an Existing SIMPLE IRA to a Vanguard SIMPLE IRA

- 1. Rollovers must be completed within 60 days.** If you receive a distribution from an existing SIMPLE IRA, you may make a tax-free rollover to a Vanguard SIMPLE IRA. The rollover must be completed within 60 days after you receive the distribution from your existing SIMPLE IRA.
- 2. One rollover permitted every 12 months from a SIMPLE IRA.** You are limited to one tax-free rollover from each SIMPLE IRA every 12 months (beginning on the date you receive the SIMPLE IRA distribution, not on the date you make the rollover contribution). There is no limit on the number of rollovers you may make to your SIMPLE IRA.

**Note:** A tax-free transfer of funds as described in Section IV is not a rollover (since you do not actually receive any distribution from your SIMPLE IRA). Rather, it is a direct transfer of your SIMPLE IRA funds from one trustee or custodian to another that is not affected by the 12-month waiting period applicable to SIMPLE IRA rollovers.

- 3. Rollovers of age 70½ required minimum distributions (RMDs) not permitted.** You may not roll over any minimum distribution amounts you are required to receive from your SIMPLE IRA starting with the year in which you reach age 70½ or any subsequent calendar year (see Section VII(C)).

**4. Rollovers of property other than cash.** If your distribution consists of property other than cash, you must roll over to your new SIMPLE IRA the same property you received from your SIMPLE IRA. If you wish to make a rollover contribution of property other than cash to your Vanguard SIMPLE IRA, you must obtain the prior written approval of Vanguard.

### C. Rollovers From a Vanguard SIMPLE IRA

- 1. Rollovers must be completed within 60 days and are limited to one every 12 months.** If you withdraw assets from your Vanguard SIMPLE IRA, you may roll over all or any portion of the assets you receive within 60 days of receipt to another SIMPLE IRA on a tax-free basis. You are limited to one such tax-free rollover from each Vanguard SIMPLE IRA every 12 months.
- 2. Rollovers within first two years of SIMPLE IRA participation.** If you roll over a SIMPLE IRA distribution before the expiration of the two-year period beginning on the first day on which contributions made by your employer are deposited into a SIMPLE IRA maintained on your behalf, the rollover must be made to another SIMPLE IRA in your name. After this two-year period, a rollover of a SIMPLE IRA distribution may also be made to a traditional IRA or an “eligible employer plan” that accepts such rollovers. An eligible employer plan includes a qualified plan (such as a 401(k), profit-sharing, or pension plan), a 403(a) qualified annuity plan, a 457(b) plan sponsored by a governmental employer, and a 403(b) plan.
- 3. Rollovers of age 70½ RMDs not permitted.** You may not roll over any minimum distribution amount you are required to receive from a Vanguard SIMPLE IRA in the year in which you reach age 70½ or any subsequent calendar year (see Section VII(C)).

## Section VI

### *Conversions From a SIMPLE IRA to a Roth IRA*

#### A. General Rules for Converting a SIMPLE IRA to a Roth IRA

In general, you may not convert any portion of your SIMPLE IRA to a Roth IRA during the two-year period that begins on the date of the first contribution to the account. (This is the same period applicable to rollovers from a SIMPLE IRA under Section V(C) above.) After the two-year period, you may convert your SIMPLE IRA to a Roth IRA if the following conditions are satisfied: Your modified adjusted gross income (for both single and joint filers) for the tax year is \$100,000 or less, and you are not a married individual filing a separate return. (For tax years after 2009, the income limit no longer applies.) If you are age 70½ or older, you must satisfy your required minimum distribution (RMD) for the tax year before making a conversion contribution for such year. For conversion purposes, your RMD is not taken into account when determining whether your modified adjusted gross income is \$100,000 or less and your adjusted gross income is not increased by the taxable income resulting from the conversion. The conversion will be treated as a taxable distribution from your SIMPLE IRA and a subsequent conversion contribution to a Roth IRA. Distributions from your SIMPLE IRA will be includable in your gross income in the year of the distribution but will not be subject to the 10% additional tax on early distributions, even if you are under age 59½. For conversions made in 2010, the amount includable in gross income as a result of the conversion is included in income ratably in 2011 and 2012, unless you elect to recognize the income in 2010. Please consult a tax advisor or refer to IRS Publication 590 for more information.

#### B. Recharacterization

An amount that is converted from a SIMPLE IRA to a Roth IRA may be recharacterized back to a SIMPLE IRA. An amount that is recharacterized back to a SIMPLE IRA may not be reconverted to a Roth IRA before January 1 of the taxable year following the taxable year of the conversion or before 30 days from the date of the recharacterization, whichever is later.

A recharacterization is accomplished by requesting, in a form and manner acceptable to Vanguard, a trustee-to-trustee transfer of the conversion contribution made to the Roth IRA, adjusted for gains and losses, from the SIMPLE IRA. The recharacterization must be accomplished by the due date (including extensions) for filing your federal income tax return for the year for which the original contribution was made, or a later date that is authorized by the IRS.

## Section VII

### *Distributions*

#### A. Tax Treatment

In general, distributions from your SIMPLE IRA are taxable to you in the year of receipt. Exceptions to this rule include any distribution that is properly rolled over as described in Section V.

- 1. Ordinary income taxation.** Distributions from your SIMPLE IRA are taxable to you as ordinary income. SIMPLE IRA distributions are not eligible for the special tax treatment accorded to lump-sum distributions from qualified retirement plans, such as forward-averaging or capital gains taxation.
- 2. Early-distribution penalty taxes.** Since your SIMPLE IRA is intended to provide you with retirement income, the law generally imposes an additional nondeductible 10% penalty tax on any amount distributed before you reach age 59½ (including amounts deemed distributed because of a prohibited transaction described in Section IX). This 10% penalty tax is increased to 25% if the distribution is made before the expiration of the two-year period beginning on the first day on which contributions made by your employer are deposited into a SIMPLE IRA maintained on your behalf. The additional tax may also apply if you are deemed to have received a distribution from your SIMPLE IRA as a result of borrowing from your SIMPLE IRA or pledging your SIMPLE IRA as security for a loan, as described in Section IX.
- 3. Exceptions to early-distribution penalty taxes.** The additional 10% (or, if applicable, 25%) penalty tax will not be imposed on the following types of SIMPLE IRA distributions:
  - a. Distributions made on or after you reach age 59½.**
  - b. Distributions attributable to your total and permanent disability, as defined by the IRS.**
  - c. Distributions made to your designated beneficiary after your death.**
  - d. Distributions that are rolled over in a timely fashion (see Section V for details).**
  - e. Distributions that are taken as substantially equal periodic payments.** These are distributions that are part of a series of substantially equal periodic payments made at least annually over your life expectancy or the joint life expectancies of you and your beneficiary.

**f. Distributions used to pay qualified higher-education expenses.** These are amounts you receive in a year that do not exceed that year's qualified higher-education expenses. Qualified higher-education expenses include tuition, fees, books, supplies, equipment, and room and board required for enrollment or attendance for you, your spouse, your children, your spouse's children, your grandchildren, or your spouse's grandchildren at an eligible postsecondary educational institution.

**g. Distributions used for the first \$10,000 of a first-time home purchase.** These are distributions of up to \$10,000 used to pay for acquisition costs (including the cost of acquisition, construction, or reconstruction) of a principal residence for a first-time home buyer, including you or your spouse, or any children, grandchildren, or ancestors of you or your spouse. The distribution must be used within 120 days after it is received. You are considered a first-time home buyer if you (and, if you are married, your spouse) have no ownership interest in a principal residence during the two-year period ending on the date of acquisition. The aggregate distributions you may take under this first-time homebuyer exception for the year of the distribution and all prior years is \$10,000.

**h. Distributions used for large medical expenses.** These are amounts you receive in a year that do not exceed your deductible medical expenses for that year (that is, unreimbursed medical expenses of more than 7.5% of your adjusted gross income).

**i. Distributions used for health insurance premiums while unemployed.** These are distributions you receive following termination of employment to the extent the amounts do not exceed the medical insurance premiums you paid for yourself, your spouse, and your dependents for the taxable year, but only if you have received at least 12 consecutive weeks of unemployment compensation during the current or prior taxable year.

**j. Distributions that are qualified reservist distributions.** If you were a member of a reserve component and you were called to active duty after September 11, 2001, and before December 31, 2007, for a period of 179 days or more, distributions made after the date you were called to active duty and before the close of your active duty period are considered qualified reservist distributions.

**k. Distributions made on account of an IRS levy.**

## B. Method of Distribution

**1. All or a portion distributed.** Under the Vanguard SIMPLE IRA, you may elect to have all or a portion of your account distributed in one or a combination of the following ways:

- A partial payment.
- A lump-sum payment.
- Monthly, quarterly, semiannual, or annual installment payments over a period not extending beyond your life expectancy or the joint-life and last-survivor expectancy of you and your designated beneficiary.

The method of distribution you select must comply with the minimum distribution requirements described in Section VII(C). You may request a total or partial distribution, or installments, from your Vanguard SIMPLE IRA by submitting a request in a form and manner acceptable to Vanguard that specifies the amount to be distributed, the reason for the distribution, and your federal income tax withholding election (see Section VII(F)). You may change your selected method of distribution upon proper notification to Vanguard.

**2. Distributions in cash or in-kind.** Distributions from a Vanguard SIMPLE IRA will generally be made in cash. However, any assets in your Vanguard SIMPLE IRA that cannot be sold by Vanguard for cash in the ordinary course of business will be automatically distributed to you in-kind.

## C. Age 70½ Minimum Distribution Requirements

You must begin receiving distributions from your SIMPLE IRA no later than April 1 of the calendar year following the calendar year in which you attain age 70½. You must receive the RMD from your SIMPLE IRA for each calendar year thereafter by December 31 of that year.

**1. Minimum amount based on life expectancy.** The total minimum that must be distributed each calendar year beginning with the year in which you reach age 70½ is determined by dividing the entire amount in your account as of the preceding December 31 by your life expectancy. Your life expectancy is determined by referring to the life expectancy tables provided by the IRS. In most cases, you will be able to determine your life expectancy from the IRS's Uniform Lifetime Table. However, if your spouse is your sole beneficiary for the entire year, the applicable distribution period is the longer of the distribution period using the Uniform Lifetime Table or the joint life expectancy of you and your spouse, determined using the Joint Life and Last Survivor Expectancy Table. See IRS Publication 590, Individual Retirement Arrangements (IRAs), for more information, including the life-expectancy tables that are used to calculate your required minimum distribution.

**2. 50% excise tax on insufficient distributions.** A 50% excise tax may be imposed if the amount actually distributed to you beginning after you attain age 70½ is less than the RMD. The 50% tax is imposed on the difference between the amount actually distributed and the amount required to be distributed. This penalty tax may be waived in certain cases if you can establish to the satisfaction of the IRS that the deficit in the amount distributed was due to reasonable error and that you are taking steps to remedy the problem.

**3. RMD amounts may not be rolled over.** You may not roll over any minimum distribution amount that you are required to receive from your Vanguard SIMPLE IRA for the calendar year in which you reach age 70½ or any subsequent calendar year. Therefore, you must satisfy your minimum distribution requirement before executing any rollover.

## D. Upon Death

If you die before the complete distribution of your account, the remaining balance in your Vanguard SIMPLE IRA will be distributed to your designated beneficiary in a lump-sum payment or in monthly, quarterly, semiannual, or annual installment payments over a period selected by your beneficiary, subject to the requirements stated below. In general, distributions your beneficiary receives from your SIMPLE IRA will be taxed as ordinary income.

**1. General rules when age-70½ RMDs have already begun.** If RMDs from your account have already begun before your death, the balance of your Vanguard SIMPLE IRA must be distributed to your designated beneficiary over his or her life expectancy, or, if longer, your remaining life expectancy, starting by December 31 of the calendar year following the year of your death. If you do not have a beneficiary or if your beneficiary is not an individual, distributions must be made over your remaining life expectancy. If your beneficiary is a trust and the trust meets certain requirements, the beneficiaries of the trust may be treated as designated beneficiaries for the purpose of determining the applicable distribution period. See IRS Publication 590 or consult a tax advisor for more information about the special trust rules. For these purposes, RMDs are considered to have begun before your death only if you die on or after April 1 of the calendar year following the calendar year in which you reach age 70½.

**2. If distributions have not begun.** If distributions from your account have not begun before your death, the general rule is that the balance of your Vanguard SIMPLE IRA must be distributed to your designated beneficiary over his or her life expectancy starting by December 31 of the year following your death. If your sole beneficiary is your spouse, he or she may wait until December 31 of the year in which you would have reached age 70½, if later. There is an exception to this rule. Your beneficiary may instead choose to liquidate the account by December 31 of the calendar year containing the fifth anniversary of your death. If he or she elects this option, distributions are not required to begin by December 31 of the year following your death. If your beneficiary is not an individual (an estate or charity, for example), distributions must generally be made in accordance with the five-year rule. Special rules apply to certain types of trusts. If applicable, these rules might allow the individual beneficiaries of the trust to be treated as your designated beneficiaries for the purpose of determining whether the lifetime installment or five-year rule will apply to the beneficiary. More information on these special trust rules is contained in *IRS Publication 590, Individual Retirement Arrangements (IRAs)*.

**3. Exception when surviving spouse is beneficiary.** An exception to the preceding rules is that if your SIMPLE IRA beneficiary is your surviving spouse, your spouse may elect to treat your Vanguard SIMPLE IRA as his or her own SIMPLE IRA. In such a case, your surviving spouse is required to receive minimum distributions as the owner of the SIMPLE IRA in accordance with the rules summarized in Section VII(C).

**4. Designation of beneficiary.** Under the Vanguard SIMPLE IRA, you may designate one or more individuals or entities (such as a trust) as your beneficiary. You will initially designate your beneficiary by completing the New Account Application for the Vanguard SIMPLE IRA. You may subsequently change or revoke your beneficiary designation at any time by notifying Vanguard in a form and manner acceptable to Vanguard. If you fail to designate a beneficiary or if your designated beneficiary (or each of your designated beneficiaries) predeceases you, your beneficiary will be your surviving spouse, or if you have no surviving spouse, your estate.

**5. 50% excise tax on insufficient distributions.** A 50% excise tax may be imposed on any beneficiary if the amount distributed to that beneficiary does not comply with the minimum distribution requirements applicable to beneficiaries. See Section VII(C) for an explanation of the calculation of the tax.

## E. Federal Estate and Gift Taxation

**1. Gift tax consequences.** Your designation of a beneficiary (or beneficiaries) to receive distributions from your SIMPLE IRA upon your death will not be considered a transfer of property for federal gift tax purposes.

**2. Estate tax consequences.** Generally, amounts remaining in your SIMPLE IRA after your death will be included in your gross estate for federal estate tax purposes. You are encouraged to consult with a financial planner or tax expert when considering estate tax consequences of your retirement assets.

## F. Income Tax Withholding

The Internal Revenue Code requires the withholding of federal income tax on payments from a SIMPLE IRA unless the recipient affirmatively elects not to have withholding apply. The amount of federal income tax that must be withheld on any payment to a U.S. person will generally equal 10% of the amount of the payment. Upon a request for a distribution under the Vanguard SIMPLE IRA, Vanguard will notify the recipient of his or her right to elect not to have withholding apply (or to revoke any prior election). If

the distribution is delivered outside the United States, you may not elect out of federal income tax withholding. State income tax may also be withheld from your IRA distributions, if applicable. If you are a nonresident alien (NRA), the amount of federal income tax required to be withheld is 30% of the amount of the distribution. You may not elect out of withholding. If you are eligible to claim a reduced withholding rate under a tax treaty, you must send a valid IRS Form W-8BEN prior to the distribution.

## Section VIII

### Income Tax Forms

#### A. Annual Contributions and Market Value Reported by Vanguard on IRS Form 5498

Vanguard will send you IRS Form 5498, IRA Contribution Information, for each year you have a Vanguard SIMPLE IRA. The form will show the total SIMPLE IRA contributions (from you and your employer) and the total rollover contributions to your SIMPLE IRAs for the prior year. The form will also show the market value of your SIMPLE IRAs on December 31 of the prior year.

#### B. Penalty Taxes Reported by You on IRS Form 5329

If one or more of the following situations occur, you may be required to file IRS Form 5329, Additional Taxes on Qualified Plans (Including IRAs) and Other Tax-Favored Accounts, with the IRS:

- Payment of an additional 10% or 25% penalty tax because of an early distribution before age 59½ (see Section VII(A)).
- Payment of a 50% excise tax because of an insufficient distribution from your SIMPLE IRA after age 70½ (see Section VII(C)).

You do not need to file Form 5329 if the only activity in your SIMPLE IRA for the year consisted of proper (that is, nonpenalized) contributions and distributions. If Form 5329 must be filed, it should be attached to your federal income tax return; it should be filed separately if you are not required to file a federal income tax return.

#### C. Distributions Reported by Vanguard

When you receive taxable distributions from your Vanguard SIMPLE IRA, Vanguard will send you and the IRS the required tax form, IRS Form 1099-R. If you are a nonresident alien, Vanguard will send you and the IRS Form 1042-S.

## Section IX

### Prohibited Transactions

Generally, a prohibited transaction is any improper use of your SIMPLE IRA. Examples of prohibited transactions include borrowing money from your account or selling property to the account.

#### A. Effect on SIMPLE IRA—Loss of Tax-Exempt Status for Your Account

Generally, if you engage in a prohibited transaction, your SIMPLE IRA will lose its tax-exempt status and you will be required to include the entire value of the account in your gross income. If your account is disqualified before you reach age 59½, you may also be required to pay the additional 10% or 25% penalty tax on early distributions described in Section VII(A).

#### B. Pledging Your SIMPLE IRA as Security

Pledging your SIMPLE IRA as security for a loan will cause the portion pledged to be treated as a distribution to you, which means that the portion pledged will be includable in gross income and possibly subject to the additional 10% or 25% penalty tax on early distributions described in Section VII(A).

### C. Investment in Collectibles

If your SIMPLE IRA is invested in collectibles (within the meaning of Section 408(m) of the Internal Revenue Code), the amount invested will be considered a distribution to you in the year of the investment in collectibles. For this reason, the Vanguard SIMPLE IRA specifically precludes investments in collectibles, which include art works, rugs, antiques, metals, gems, stamps, coins (but not gold, silver, or platinum coins issued by the United States), alcoholic beverages, and certain other tangible personal property.

## Section X

### *Other Information*

#### A. The Custodian

The custodian of your Vanguard SIMPLE IRA is Vanguard Fiduciary Trust Company, a trust company incorporated under Pennsylvania banking laws. Vanguard Fiduciary Trust Company is a wholly owned subsidiary of The Vanguard Group, Inc., of Malvern, Pennsylvania. The Vanguard Group will perform certain administrative services in connection with the Vanguard SIMPLE IRA for which The Vanguard Group may be reimbursed at cost by Vanguard Fiduciary Trust Company.

#### B. Amendments

Vanguard is specifically authorized to make any amendments to the Vanguard SIMPLE IRA necessary to comply with the applicable provisions of the Internal Revenue Code and any other amendments that Vanguard deems appropriate. Vanguard will inform you of any such amendments. Notice of amendments may be provided electronically, provided that you have consented to electronic delivery thereof.

#### C. SIMPLE IRA Investments

Your Vanguard SIMPLE IRA may be invested in shares of the mutual funds offered by The Vanguard Group, Inc. (the "Vanguard funds"), or in other types of investments that Vanguard and/or any Vanguard affiliate may permit to be available investments under the Vanguard SIMPLE IRA from time to time.

- 1. Directed investments.** Your Vanguard SIMPLE IRA will be invested solely in accordance with your directions (or, following your death, the directions of your designated beneficiary). You may change your investment directions at any time by notifying Vanguard in writing, by telephone, or electronically, in a form and manner acceptable to Vanguard.
- 2. Reinvestment of earnings.** All dividends and capital gains received on shares of a Vanguard fund held in your Vanguard SIMPLE IRA that are permitted to be reinvested in additional shares of the Vanguard fund will, in the absence of investment directions by you to the contrary, be automatically reinvested in additional shares of the Vanguard fund. Otherwise, any distribution of earnings received with respect to assets held in your account will be reinvested solely in accordance with investment directions furnished by you.
- 3. Growth in value.** The growth in value of your Vanguard SIMPLE IRA will depend on your investment decisions. Growth is neither guaranteed nor projected.

#### D. Custodial Fees and Other Expenses

- 1. Fees.** Vanguard may charge reasonable custodial fees with respect to the establishment and maintenance of your Vanguard SIMPLE IRA at any time during the calendar year. Each Vanguard fund is subject to an account service fee that is described in the New Account Application for the Vanguard SIMPLE IRA.
- 2. Vanguard fund information.** For complete information about the advisory fees, account service fees, other expenses, and the method used to calculate the price per share for each Vanguard fund you may select for your Vanguard SIMPLE IRA, read the fund's prospectus.

#### E. IRS Model Form

The form used to establish and maintain your Vanguard SIMPLE IRA custodial account is a model form prepared by the IRS called IRS Form 5305-SA.

# The Vanguard SIMPLE IRA Custodial Account Agreement

## Introduction

By executing the New Account Application for the Vanguard SIMPLE IRA and making the appropriate designation on it, the Participant is establishing a Savings Incentive Match Plan for Employees Individual Retirement Account (SIMPLE IRA) under Sections 408(a) and 408(p) of the Code to provide for his or her retirement and for the support of his or her Beneficiaries after death. The Custodian has given the Participant the Disclosure Statement required under Treasury Regulations Section 1.408-6.

The Participant and the Custodian make the following Agreement.

## Article I

The Custodian will accept cash contributions made on behalf of the Participant by the Participant's employer under the terms of a SIMPLE IRA plan described in Section 408(p) of the Code. In addition, the Custodian will accept transfers or rollovers from other SIMPLE IRAs of the Participant. No other contributions will be accepted by the Custodian.

## Article II

The Participant's interest in the balance in the custodial account is nonforfeitable.

## Article III

1. No part of the custodial account funds may be invested in life insurance contracts, nor may the assets of the custodial account be commingled with other property except in a common trust fund or common investment fund (within the meaning of Section 408(a)(5) of the Code).
2. No part of the custodial funds may be invested in collectibles (within the meaning of Section 408(m) of the Code) except as otherwise permitted by Section 408(m)(3) of the Code, which provides an exception for certain gold, silver, and platinum coins, coins issued under the laws of any state, and certain bullion.

## Article IV

1. Notwithstanding any provision of this Agreement to the contrary, the distribution of the Participant's interest in the custodial account will be made in accordance with the following requirements and will otherwise comply with Section 408(a)(6) of the Code and the regulations thereunder, the provisions of which are incorporated by reference.
2. The Participant's entire interest in the custodial account must be, or begin to be, distributed by the Participant's required beginning date (April 1 following the calendar year in which the Participant reaches age 70½). By that date, the Participant may elect, in a manner acceptable to the Custodian, to have the balance in the custodial account distributed in:
  - (a) A single-sum payment.
  - (b) Payment over a period not longer than the life of the Participant or the joint lives of the Participant and his or her designated Beneficiary.
3. If the Participant dies before his or her entire interest is distributed to him or her, the remaining interest will be distributed as follows:
  - (a) If the Participant dies on or after the required beginning date and:
    - (i) The designated Beneficiary is the Participant's surviving spouse, the remaining interest will be distributed over the surviving spouse's life expectancy as determined each year until such spouse's death, or over the period in paragraph (a)(iii) below, if longer. Any interest remaining after the spouse's death will be distributed over such spouse's remaining life expectancy as determined in the year of the spouse's death and reduced by one for each subsequent year, or, if distributions are being made over the period in paragraph (a)(iii) below, over such period;
    - (ii) The designated Beneficiary is not the Participant's spouse, the remaining interest will be distributed over the Beneficiary's remaining life expectancy as determined in the year following the death of the Participant and reduced by one for each subsequent year, or over the period in paragraph (a)(iii) below if longer;
    - (iii) There is no designated Beneficiary, the remaining interest will be distributed over the remaining life expectancy of the Participant as determined in the year of the Participant's death and reduced by one for each subsequent year.
  - (b) If the Participant dies before the required beginning date, the remaining interest will be distributed in accordance with (i) below or, if elected or there is no designated Beneficiary, in accordance with (ii) below:
    - (i) The remaining interest will be distributed in accordance with paragraphs (a)(i) and (a)(ii) above (but not over the period in paragraph (a)(iii) even if longer), starting by the end of the calendar year following the year of the Participant's death. If, however, the designated Beneficiary is the Participant's surviving spouse, then this distribution is not required to begin before the end of the calendar year in which the Participant would have reached age 70½. But, in such case, if the Participant's surviving spouse dies before distributions are required to begin, then the remaining interest will be distributed in accordance with (a)(ii) above (but not over the period in (a)(iii), even if longer), over such spouse's designated Beneficiary's life expectancy, or in accordance with (ii) below if there is no such designated Beneficiary;
    - (ii) The remaining interest will be distributed by the end of the calendar year containing the fifth anniversary of the Participant's death.
4. If the Participant dies before his or her entire interest has been distributed and if the designated Beneficiary is not the Participant's surviving spouse, no additional contributions may be accepted in the account.
5. The minimum amount that must be distributed each year, beginning with the year containing the Participant's required beginning date, is known as the "required minimum distribution" and is determined as follows:
  - (a) The required minimum distribution under paragraph 2(b) for any year, beginning with the year the Participant reaches age 70½, is the Participant's account value at the close of business on December 31 of the preceding year divided by the distribution period in the Uniform Lifetime Table in Treasury Regulation Section 1.401(a)(9)-9. However, if the Participant's designated Beneficiary is his or her surviving spouse, the required minimum distribution for a year shall not be more than the Participant's account value as of the close of business on December 31 of the preceding year divided by the number in the Joint and Last Survivor Table in Treasury Regulation Section 1.401(a)(9)-9. The required minimum distribution for a year under this paragraph (a) is determined using the Participant's (or, if applicable, the Participant's and the spouse's) attained age (or ages) in the year.



- (b) The required minimum distribution under paragraphs 3(a) and 3(b)(i) for a year, beginning with the year following the year of the Participant's death (or the year the Participant would have reached age 70½, if applicable under paragraph 3(b)(i)) is the account value at the close of business on December 31 of the preceding year divided by the life expectancy (in the Single Life Table in Treasury Regulation Section 1.401(a)(9)-9) of the individual specified in such paragraphs 3(a) and 3(b)(i).
- (c) The required minimum distribution for the year the Participant reaches age 70½ can be made as late as April 1 of the following year. The required minimum distribution for any other year must be made by the end of such year.
6. The owner of two or more IRAs (other than Roth IRAs) may satisfy the minimum distribution requirements described above by taking from one IRA the amount required to satisfy the requirement for another in accordance with the regulations under Section 408(a)(6) of the Code.

## Article V

1. The Participant agrees to provide the Custodian with all information necessary to prepare any reports required by Sections 408(i) and 408(1)(2) of the Code and Treasury Regulations Sections 1.408-5 and 1.408-6.
2. The Custodian agrees to submit to the IRS the Participant the reports prescribed by the IRS.
3. The Custodian also agrees to provide the Participant's employer the Summary Description described in Section 408(1)(2) of the Code unless this SIMPLE IRA is a transfer SIMPLE IRA.

## Article VI

Notwithstanding any other articles that may be added or incorporated, the provisions of Articles I through III and this sentence will be controlling. Any additional articles that are inconsistent with Sections 408(a) and 408(p) of the Code and the related regulations will be invalid.

## Article VII

This Agreement will be amended as necessary to comply with the provisions of the Code and related regulations. Other amendments may be made in accordance with Article VIII[13].

## Article VIII

### 1. Definitions

The following definitions apply to terms used in this Agreement:

**"Account"** means the custodial account established by the Participant to which contributions may be made in accordance with the terms and conditions of this Agreement. All assets of the Account will be held by the Custodian for the exclusive benefit of the Participant or, following his or her death, the Beneficiary.

**"Adopted Person"** means a person adopted through the legal process of the United States and/or any state, commonwealth, or possession of the United States. An Adopted Person is considered to be the descendant or issue of the adopting person.

**"Adoption Agreement"** means the form executed by the Participant, as prescribed by the Custodian, for purposes of adopting the Agreement. The Adoption Agreement is considered an integral part of the Agreement as if set forth fully herein.

**"Agreement"** means the Vanguard SIMPLE IRA Custodial Account Agreement as set forth herein, including the provisions set forth in the Adoption Agreement and any Beneficiary designation filed with and acceptable to the Custodian, as each such document may be amended from time to time.

**"Authorized Party"** means the executor, administrator, or personal representative of the Participant's estate, the trustee of a trust Beneficiary, or any other person deemed appropriate by the Custodian to act on behalf of the Participant's Account after the Participant's death.

**"Beneficiary"** means the persons or entities designated in accordance with Section 2 below to receive any undistributed amount credited to the Account at the time of the Participant's death.

**"Children"** means descendants in the first generation below the individual, including those born within or without of wedlock, and those legally adopted by the individual. This term excludes stepchildren and foster children.

**"Code"** means the Internal Revenue Code of 1986, as amended from time to time, or any successor statute.

**"Custodian"** means Vanguard Fiduciary Trust Company, a trust company incorporated under Pennsylvania banking laws, or any successor thereto.

**"Descendants"** means all descendants of all generations of an individual.

**"Employer"** means the organization that is identified in the Adoption Agreement as the employer of the Participant.

**"Grandchildren"** means descendants in the second generation below the individual, including those born within or without of wedlock, and those legally adopted by the Children of the Participant. This term excludes stepchildren and foster children.

**"Issue"** means all descendants of all generations of an individual.

**"Participant"** means the individual who has adopted this Agreement by executing the Adoption Agreement.

**"Per Stirpes"** means a way of dividing the account as follows: The Account is divided into as many equal shares as there are surviving descendants in the generation nearest to the decedent that contains at least one surviving descendant and deceased descendants in the same generation who left surviving descendants, if any. The share of each deceased descendant who left surviving descendants is divided in the same manner, with the subdivision repeating until the property is fully allocated among surviving descendants. A descendant who died before the decedent and who left no surviving issue is disregarded.

**"Plan Administrator"** means the individual or individuals designated to be responsible for the administration of the plan. If no designation is made, the Employer is deemed to be the Plan Administrator.

**"Rollover Contribution"** means a contribution by the Participant that consists of assets distributed from a SIMPLE IRA and that satisfies the requirements of Section 408(d)(3) of the Code.

**"SIMPLE IRA"** means an IRA plan established under Section 408(p) of the Code that accepts contributions from the employer on behalf of the Participant.

**"Spouse"** means, for purposes of entitlement to distribution of the Account at the Participant's death as a Beneficiary, the person to whom the Participant was married at the time of the Participant's death in accordance with the law of the state of the Participant's domicile.

**"Successor Beneficiary"** means the persons or entities designated in accordance with Section 2 below entitled to receive any undistributed amount credited to the Account at the time of the Beneficiary's death.

**"Vanguard"** means The Vanguard Group, Inc., a Pennsylvania corporation, or any successor thereto.

**"Vanguard Funds"** means one or more of the regulated investment companies or mutual funds that are members of The Vanguard Group, Inc., and that the Custodian permits to be available investments under this Agreement.

## 2. Designation of Beneficiary

**(a) General rules.** The Participant may designate from time to time any person or persons, entities, such as a trust, or other recipient acceptable to the Custodian as his or her primary and/or contingent Beneficiaries. To be entitled to receive any undistributed amounts credited to the account at the Participant's death, any person or persons designated as a Beneficiary must be alive, and an entity designated as a Beneficiary must be in existence at the time of the Participant's death. The surviving primary Beneficiaries shall first be entitled to receive any undistributed amounts credited to the Account at the Participant's death. If the Participant has designated more than one primary Beneficiary, the Beneficiaries will be entitled to receive any undistributed amount credited to the Account at the time of the Participant's death in the proportions indicated by the Participant. If the Participant has not indicated the proportions to which multiple Beneficiaries may be entitled or has indicated percentages that do not exactly equal 100%, payment will be made to the surviving Beneficiaries in equal shares. Except as described in the next sentence, if any primary Beneficiary has not survived the Participant, that Beneficiary's share of the Participant's Account will be divided proportionately among the surviving primary Beneficiaries.

Notwithstanding anything to the contrary in this paragraph 2(a), if the Participant has indicated that any Beneficiary designation is made on a Per Stirpes basis and the deceased primary Beneficiary has surviving Issue, the share of the deceased primary Beneficiary will be divided into equal shares for each such surviving Issue. If there are no surviving primary Beneficiaries at the time of the Participant's death, the contingent Beneficiaries, in the order indicated by the Participant (secondary, tertiary, etc.), will be entitled to receive any undistributed amount credited to the Account at the time of the Participant's death and will succeed to the rights of a primary Beneficiary in accordance with this Agreement. If multiple contingent Beneficiaries at the same level become entitled to any amounts credited to the Account, distribution will be made in the same manner as if the Beneficiaries were multiple primary Beneficiaries. If, at the time of the Participant's death, no Beneficiary designation is in effect or there are no surviving Beneficiaries, the Beneficiary will be the Participant's surviving Spouse, if any. If the Participant has no surviving Spouse, the Participant's Beneficiary will be the Participant's estate.

Any Beneficiary designation by the Participant must be made in a form and manner prescribed by, or acceptable to, the Custodian. The Beneficiary designation will be effective only if it is received by the Custodian during the Participant's lifetime. The Participant may change or revoke his or her Beneficiary designation at any time before his or her death by making a new Beneficiary designation with the Custodian. Any such change will revoke all prior Beneficiary designations submitted to the Custodian in their entirety. Participant agrees that in the event of a dispute as to the Beneficiary of the Account, the Custodian, in its discretion, may rely upon an order of a court of competent jurisdiction determining the Beneficiary provided that, all interested parties (1) had notice of and an opportunity to participate in the court proceeding, or (2) executed an agreement resolving the dispute. The custodian reserves the right to ask a court of competent jurisdiction to resolve any Beneficiary dispute and to recover its costs of doing so, including reasonable attorneys' fees, from the Account. Unless the Participant has indicated otherwise on the Beneficiary designation, any designation of a Spouse by name or by relationship shall be deemed revoked by the divorce of the Participant and such Beneficiary; provided that, no such revocation shall be deemed final until documentary evidence of such divorce, in form and substance acceptable to Custodian, shall have been

provided to Custodian following the Participant's death, and Custodian shall not be liable for any payment or transfer made to a Beneficiary in the absence of such documentation. For purposes of this Agreement, divorce shall mean a final decree of divorce, annulment, or dissolution of the marriage in effect in any jurisdiction.

**(b) Minors.** If upon the death of the Participant, a Beneficiary known to the Custodian to be a minor is entitled to receive any undistributed assets of the Account, the Custodian may, in its absolute discretion, transfer assets to an inherited Account for the benefit of the minor Beneficiary. So long as the Beneficiary is a minor, such inherited Account shall be controlled by such person or persons demonstrated to the Custodian's satisfaction to be authorized to act on behalf of the minor. Any person or entity representing his authority to act on behalf of a minor shall submit such information and documentation to authenticate such authority as the Custodian shall reasonably request. The minor Beneficiary's representative may be the guardian, conservator, or other legal representative of such minor Beneficiary, the natural parent of such Beneficiary (provided that if the minor's parents are divorced, the Custodian may deem only the parent having legal custody of the minor to be authorized to act on behalf of the minor), a custodian appointed for such Beneficiary under the Uniform Gift to Minors Act, Uniform Transfers to Minors Act or similar act, a person appointed by the Participant to act as an authorized person for such minor Beneficiary with respect to the Account in a writing filed with the Custodian or in the Participant's last will and testament as admitted to probate or trust document as to which the Participant is grantor, or any person having control or custody of such minor Beneficiary.

Any minor Beneficiary shall be deemed to be a minor until the later of such Beneficiary reaching (1) the age of majority under the law of the state of the minor's domicile with respect to the right to own mutual funds and other investments or (2) a later age for termination of minor status, but in no event later than age 25, as designated by the Participant in a Beneficiary designation accepted by the Custodian with respect to the Account.

**(c) Marital trusts.** The Participant or, as permitted by law, the spousal Beneficiary following the death of the Participant, may designate as Beneficiary a trust for the benefit of the surviving Spouse intended to satisfy the conditions of Section 2056(b) (pertaining to qualified terminable interest property trusts or "QTIP" trusts) or 2056A (pertaining to qualified domestic trusts or "QDOT" trusts) of the Code (collectively referred to as "Marital Trusts"). To the extent such QTIP or QDOT trust is a Beneficiary of the Account, the following provisions will apply until the earlier of the death of the surviving Spouse or the termination of the Account: (1) All of the income of the Account will be payable to the Marital Trust or directly to the surviving Spouse, at the direction of the trustee of the Marital Trust, at least annually or at such more frequent intervals as may be directed by the trustee of the Marital Trust; and (2) no person, other than the surviving Spouse, will have the right to assign any part of the Account to any person other than the Marital Trust or the surviving Spouse.

**(d) Rights of primary Beneficiaries upon Participant's death.** In addition to the rights otherwise conferred upon Beneficiaries under this Agreement, all individual Beneficiaries may designate Successor Beneficiaries of their inherited Account. Any Successor Beneficiary designation by the Beneficiary must be made in accordance with the provisions of paragraph (a) above. If a Beneficiary dies after the Participant but before receipt of the entire interest in the Account and has Successor Beneficiaries, the Successor Beneficiaries will succeed

to the rights of the Beneficiary. If a Beneficiary dies after the Participant but before receipt of the entire interest in the Account and no Successor Beneficiary designation is in effect at the time of the Beneficiary's death, the Beneficiary will be the Beneficiary's estate. Upon instruction to the Custodian, each multiple Beneficiary may receive his, her, or its interest as a separate account within the meaning of Treasury Regulation Section 1.401(a)(9)-8, Q&A-3, to the extent permissible by law. The trustee of a trust Beneficiary will exercise the rights of the trust Beneficiary.

### 3. Investment of Contributions

- (a) General rule.** The Custodian will invest and reinvest all contributions to the Account in accordance with the investment directions of the Participant as set forth in the Adoption Agreement or in any subsequent investment directions furnished by the Participant.
- (b) Missing or unclear directions.** If the Custodian receives any contribution or other amount to the Account that is not accompanied by instructions directing its investment or that is accompanied by instructions that, in the opinion of the Custodian, are unclear, incomplete, or not in good order, the Custodian will notify the Plan Administrator. The Custodian may hold or return all or a portion of the contribution or amount uninvested without liability for loss of income or appreciation, pending receipt of proper directions or instructions, or if the Participant has furnished investment instructions which, in the opinion of the Custodian, are unclear, incomplete, or otherwise not in good order, the Custodian may request additional investment instructions from the Participant. Pending receipt of such investment instructions, the Custodian may (i) hold all or a portion of the contribution amount uninvested, (ii) invest all or a portion of the contribution amount in a Vanguard Money Market Fund, or (iii) return all or a portion of the investment amount to the Participant without liability for loss of income or appreciation pending receipt of proper investment directions.

### 4. Investment Directions; Available Investments

The Participant or, following his or her death, the Beneficiary, may at all times direct, or retain an agent, investment advisor, or manager to direct the Custodian on the investment or reinvestment of the assets of the Account. All such investment directions must be made in a form or manner acceptable to the Custodian. Assets of the Account may be invested in shares of one or more of the Vanguard Funds or in other investments that are eligible for acquisition under Section 408(a) of the Code and that the Custodian permits to be available investments under this Agreement. All investments of the Account will be registered in the name of the Custodian (or its nominee), or retained unregistered or in a form permitting transfer by delivery; however, the books and records of the Custodian must at all times show such investments to be part of the Account.

### 5. Rollover Contributions

Rollover Contributions consisting of cash or such other assets that are acceptable to the Custodian and that are permissible investments under Section 408(a) of the Code may be made by the Participant to the Account at any time. Before making a Rollover Contribution, the Participant must execute such forms as the Custodian may require describing the assets (if any) other than cash that will be included in the Rollover Contribution, the source of the Rollover Contribution, and any other information the Custodian may request. The Custodian is under no obligation to accept any Rollover Contribution consisting of assets other than cash. The Participant is solely responsible for determining whether any contribution to the Account that is accepted by the Custodian qualifies as a SIMPLE IRA Rollover Contribution.

### 6. Prohibitions Concerning Life Insurance, Collectibles, and Commingling

Notwithstanding any provision of this Agreement to the contrary, no assets of the Account will be invested in life insurance contracts or in collectibles (within the meaning of Section 408(m) of the Code), nor will assets of the Account be commingled with other property except in a common trust fund or common investment fund (within the meaning of Section 408(a)(5) of the Code).

### 7. Responsibility of Custodian and Vanguard

- (a) Investments in general.** In making any investment or reinvestment of the assets of the Account, the Custodian is fully entitled to rely on the investment directions furnished to it by the Participant or Beneficiary in accordance with the terms and conditions of this Agreement and is under no duty to make any inquiry or investigation with respect thereto. The Participant hereby acknowledges that neither the Custodian nor Vanguard undertakes to render any investment advice in connection with this Agreement, and that the assets of the Account are to be invested, reinvested, and controlled exclusively by the Participant or, following his or her death, the Beneficiary in accordance with the terms and conditions of this Agreement.
- (b) Vanguard Fund shares and proxy voting.** The Custodian is responsible for delivering to the Participant or, following his or her death, the Beneficiary, all shareholder notices, reports, and proxies relating to Vanguard Fund shares held in the Account. The Custodian will vote any such shares at shareholder meetings of the Vanguard Funds in accordance with instructions received from the Participant or Beneficiary. By establishing (or by having established) the Account, the Participant hereby directs the Custodian to vote any Vanguard Fund shares held in the Account for which no timely voting instructions are received in the same proportion as the voting instructions received by Vanguard from shareholders of the applicable Vanguard Fund. By directing that assets of the Account be invested in a Vanguard Fund, the Participant or Beneficiary is deemed to have acknowledged receipt of the current prospectus for such Vanguard Fund.
- (c) Distributions in general.** In making any distribution from the Account, the Custodian is fully entitled to rely on the directions of the Participant or, following his or her death, the Beneficiary, and is under no duty to make any inquiry or investigation with respect thereto. The Custodian has no responsibility to make any distribution from the Account, including a required minimum distribution, until it receives such directions from the Participant or Beneficiary in a form and manner acceptable to the Custodian. Neither the Custodian nor Vanguard has any responsibility for the timing, propriety, or tax consequences to the Participant or Beneficiary of any distribution from the Account. These matters are the exclusive responsibility of the Participant or Beneficiary.
- (d) Required Minimum Distribution Service.** Vanguard may, but shall not be required to, offer a service for Participant and/or Beneficiaries providing calculation or calculation and distribution of required minimum distributions ("RMD Service"). Any such service shall be provided under the terms and conditions set forth in a Service Agreement, as such may be amended from time to time. By enrolling in the RMD Service, the Participant and/or Beneficiary shall be deemed to have consented to such terms and conditions of such Service Agreement, including any amendments thereto effective after the date of enrollment in the RMD Service.

**(e) Identification of Beneficiaries.** The Custodian is not responsible for determining the identity or interest of any Beneficiary designated by relationship to the Participant. The Custodian is fully entitled to rely on any representations made by the Authorized Party or, if applicable, the Beneficiaries, with respect to the identity of the Beneficiaries of the Account, and shall be under no duty to make any inquiry or investigation thereto. The Custodian and Vanguard have no responsibility to locate or notify any Beneficiary or the personal representative of the Participant or any Beneficiary of the existence of the Account. It is the responsibility of the Beneficiary or personal representative of the Investor or of the Beneficiary to notify the Custodian of the death of the Participant or Beneficiary, and to provide the Custodian with such documentation as the Custodian deems necessary to transfer ownership of the Account. The Participant agrees that the Custodian and Vanguard will not be liable for, and will be fully indemnified against, any cost or damage they incur in connection with their good-faith reliance upon such representations.

**(f) Further obligations.** The Custodian is not responsible for (1) the interpretation of any formula clause or trust provision contained in any Beneficiary designation filed with the Custodian, (2) the determination of the legal effect of any disclaimer or renunciation made by any Beneficiary of the Account, or (3) the enforcement of any legal obligation, including tax obligations, of the Participant or any Beneficiary. The mere acceptance of any Beneficiary designation submitted by a Participant will not limit the Custodian's rights or increase its responsibilities under this Agreement and under law. The Custodian is fully entitled to rely on any instructions or representations made by the Beneficiary or the Authorized Party with respect to any of the responsibilities identified in this Article VIII[7][e]. The Participant agrees that the Custodian and Vanguard will have no liability for, and will be fully indemnified against, any cost or damage they incur in connection with their good-faith reliance upon such representations.

**(g) Additional information.** The Custodian reserves the right to request such additional information and documentation from the Participant, the Beneficiary, or the Authorized Party that the Custodian deems necessary with respect to the establishment, maintenance, and distribution of the Account.

## 8. Distributions to Surviving Spouse

If the surviving spouse of the Participant is the sole Beneficiary, the spouse may elect to treat the Account as his or her own SIMPLE IRA. Such election is deemed to have been made if the surviving spouse makes a regular SIMPLE IRA contribution to the Account (to the extent permissible under law) or fails to take required distributions as a Beneficiary (as described in Article IV[3] above).

## 9. Transfers to Account

Assets held on behalf of the Participant in another SIMPLE Individual Retirement Account or Individual Retirement Annuity may be transferred by the trustee, custodian, or insurance company with respect thereto directly to the Custodian, in a form or manner acceptable to the Custodian, to be held in the Account on behalf of the Participant under this Agreement. In accepting any such direct transfer of assets, the Custodian assumes no responsibility for the tax consequences of the transfer, the responsibility for which rests solely with the Participant.

## 10. Transfers From Account

If so directed by the Participant in a form or manner acceptable to the Custodian, the Custodian will transfer assets held in the Account directly to the trustee or custodian of another SIMPLE Individual Retirement Account or insurance company that issues an Individual Retirement Annuity established on behalf of the Participant. After the expiration of the two-year period beginning on the first day on which contributions made by the Participant's employer are deposited into a SIMPLE IRA maintained on the Participant's behalf, the Participant may direct the Custodian to transfer assets held in the Account directly to the trustee or custodian of any Individual Retirement Account that is qualified under Section 408(a) of the Code or to an insurance company that issues an annuity contract that is qualified under Section 408(b) of the Code. In making any such direct transfer of assets, the Custodian assumes no responsibility for the tax consequences of the transfer, the responsibility for which rests solely with the Participant.

## 11. Transfers Incident to Divorce

All or any portion of the Participant's interest in the Account may be transferred to a former spouse pursuant to a divorce decree or written instrument incident to divorce as provided in Section 408(d)(6) of the Code. In such event, the transferred portion of the Account will be held as a separate SIMPLE IRA for the benefit of such spouse in accordance with the terms and conditions of this Agreement.

## 12. Reporting, Disclosure, and Fees

**(a) Information by Participant.** The Participant must furnish the Custodian with any information necessary for the Custodian to prepare any reports required pursuant to Section 408(i) of the Code and the regulations thereunder.

**(b) Annual reports by Custodian.** The Custodian will send an annual report to the Participant (or, following his or her death, the Beneficiary) on or before January 31 of each calendar year, containing all information with respect to the preceding calendar year that must be furnished pursuant to Section 408(i) of the Code and the regulations thereunder and such information concerning required minimum distributions that is prescribed by the IRS. In addition, the Custodian will submit all other reports to the IRS, the employer, and the Participant (or, following his or her death, the Beneficiary) that are prescribed by the IRS.

**(c) Fees and expenses.** The Custodian is entitled to such reasonable fees with respect to the establishment and maintenance of the Account as are established by it from time to time, and to reimbursement for all reasonable expenses incurred by it in the management of the Account. The Custodian may change its fees payable under this Agreement at any time upon notice to the Participant. The Custodian is also entitled to reimbursement for costs, including attorneys' fees and other expenses, relating to the Account.

**(d) Investment Management and Advisory Fees.** Notwithstanding anything contained herein to the contrary, the Participant may authorize the direct payment of investment management and/or advisory fees from the Account to the Custodian or other third party provided that the Account is solely liable for the payment of such fees.

**13. Amendment and Termination**

**(a) Amendment.** The Custodian may amend the Agreement in any respect and at any time (including retroactively) to comply with the applicable provisions of the Code and the regulations thereunder. The Custodian may also amend this Agreement to reflect any other changes to the terms of this Agreement that the Custodian deems appropriate. Any such amendment to the Agreement is effective upon the delivery of notice of the amendment to the Participant (or following the Participant's death, the Beneficiary). Notice may be provided electronically, provided that the Participant or the Beneficiary has consented to electronic delivery of the Agreement and any and all amendments thereto. For these purposes, the Participant (or following the Participant's death, the Beneficiary) is deemed to have consented to any amendment to the Agreement if the Participant fails to object thereto by notifying the Custodian, in a form and manner acceptable to the Custodian, within thirty (30) calendar days from the date the notice is delivered, to terminate the Agreement. The terms of the Agreement in effect at the death of the Participant or the Beneficiary, as the case may be, will control the disposition of the assets.

**(b) Resignation or removal of Custodian.** The Custodian may resign at any time upon thirty (30) days' written notice to the Participant (which notice may be waived by the Participant) and may be removed by the Participant at any time upon thirty (30) days' written notice to the Custodian (which notice may be waived by the Custodian). Upon such resignation or removal, the Participant must appoint a successor custodian under this Agreement. The successor custodian must be a bank or other person qualified to serve as trustee of an individual retirement account under Section 408(a)(2) of the Code. Upon receipt by the Custodian of written acceptance of such appointment by the successor custodian, the Custodian shall transfer to the successor custodian the assets of the Account and all necessary records pertaining thereto, after reserving such reasonable amount as it deems necessary for payment of its fees and expenses. If within thirty (30) days after the Custodian's resignation or removal, or such longer time as the Custodian may agree to, the Participant has not appointed a successor custodian, the Custodian may terminate this Agreement in accordance with Section 13(c) below.

**(c) Termination.** The Participant may at any time terminate this Agreement by delivering to the Custodian a written notice of termination. The Custodian may terminate this Agreement in the event the Participant fails to appoint a successor custodian in accordance with Section 13(b). Upon the termination of the Agreement, the assets in the Account will be distributed to the Participant in a lump-sum payment of cash or in-kind.

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**14. Exclusive Benefit; Nonforfeitable**

The Account is established for the exclusive benefit of the Participant or, following his or her death, the Beneficiary. The interest of the Participant (or following the Participant's death, the Beneficiary) in the balance of the Account is at all times nonforfeitable.

**15. Prohibition Against Assignment**

Except as may otherwise be provided in this Agreement, no interest, right, or claim in or to any part of the Account or any payment therefrom is assignable, transferable, or subject to sale, mortgage, pledge, hypothecation, commutation, anticipation, garnishment, attachment, execution, or levy of any kind, and the Custodian will not recognize any attempt to effect any of the preceding, except to the extent required by law.

**16. Prohibited Transactions**

The Participant shall not engage in any transaction with respect to the Account that is prohibited under Section 4975 of the Code and that, under Section 408(e)(2) of the Code, would cause the Account not to qualify as an Individual Retirement Account under Section 408(a) of the Code.

**17. Governing Law**

This Agreement is governed, administered, and enforced according to the laws of the Commonwealth of Pennsylvania, except to the extent preempted by federal law.

**18. Agreement Controls**

In the event of any discrepancy between this Agreement and any other document or instrument filed with Vanguard in respect of the Account, the terms of this Agreement will control. Except with respect to Section 7(f) of this Article, the terms of any Beneficiary designation accepted by the Custodian will control over the terms of this printed Agreement to the extent of any inconsistency.

**19. Simultaneous Death and Slayer Statutes.**

In the event that the order of the deaths of the Investor and any primary Beneficiary or on inherited Accounts, of the Beneficiary and any primary Successor Beneficiary, cannot be determined or are deemed to have occurred simultaneously under the law of the state of Investor's or Beneficiary's domicile, as the case may be, the survivor shall be that person who is determined to survive in accordance with the law of that state at the time of the Investor's or Beneficiary's death, as the case may be. In the event that the death of the Participant or any Beneficiary is the result of criminal act involving any other Beneficiary, Vanguard may look to the law of the state of domicile, including any slayer or similar statute, to determine the rights of the Beneficiaries to the assets in the Account.

**20. Assignment of Agreement**

The Custodian may assign or delegate any and all of its rights and obligations under this Agreement to an affiliate of the Custodian without the prior approval of the Participant or Beneficiary.