

The following is a summary provided for general informational purposes, E*TRADE Securities does not provide tax advice. Please consult a qualified tax professional. You should also read IRS Publications 590 and 560 for further information. You can get these publications at www.irs.gov.

Q1. Why did I receive a copy of IRS Form 5498?

A1. The IRS requires the institution that maintains your IRA to use Form 5498 to report to you and the IRS any IRA contributions, rollovers from certain types of employer-sponsored retirement plans to IRAs (including direct rollovers), recharacterization of IRA contributions (for example when money that originally was contributed to a Roth IRA is moved to a Traditional IRA before the due date for the individual's federal income tax return, including extensions, for the taxable year in which the contribution was originally made), conversions of Traditional IRAs to Roth IRAs, the December 31 fair market value of your IRA account and certain other information.

Q2. Why is this information sent after the deadline for filing my federal income tax return?

A2. The IRS deadline for making contributions that relate back to the prior taxable year to an individual retirement account is the due date for individuals' federal tax returns (without extensions), which is generally April 15. Since IRA information can't be finalized before this deadline, the IRS requires E*TRADE Securities to send Form 5498 no later than May 31.

Q3. Do I need to attach a copy of Form 5498 to my federal income tax return?

A3. No, this form isn't needed to file your return. Simply use it to verify that the information we reported to the IRS is correct and then keep it with your tax records.

Q4. Is my Traditional IRA contribution deductible on my federal income tax return?

A4. It is generally deductible, within certain limits, if neither you nor your spouse is an active participant in an employer-sponsored retirement plan for the year.

If either you or your spouse is an active participant, your ability to make deductible contributions to a Traditional IRA phases out completely if your modified adjusted gross income is at least 70,000 (married, filing jointly), 50,000 (single) or \$10,000 (married filing separately). In general, if your spouse is an active participant, but you are not, and you file a joint tax return, your (but not your spouse's) ability to make deductible contributions phases out completely at modified adjusted gross income of \$160,000. Report deductible contributions to a Traditional IRA on Form 1040, Line 24, or on Form 1040A, line 17.

Q5. How do I report non-deductible contributions to a Traditional IRA?

A5. Report non-deductible contributions to a Traditional IRA on Form 8606, which is filed with your federal tax return. If you are not required to file a federal income tax return for the year, Form 8606 should be filed separately. If you have made nondeductible contributions, failure to file a Form 8606 may result in greater tax liability when you take distributions from your IRA (because you may not be able to substantiate your basis in the IRA). You may also be subject to a penalty for failure to file Form 8606. Please refer to the IRS Instructions for Form 8606 for more information.

Q6. Are contributions to a Roth IRA deductible?

A6. No, contributions to a Roth IRA are not deductible. Contributions may be withdrawn at any time without taxes or penalties. Earnings can be withdrawn free of federal income taxes and penalties if the five-year aging period and other requirements are met.

Q7. How do I report rollover contributions?

A7. Use Form 1040 or 1040A to report rollover contributions (Form 5498, box 2) that balance out the distribution reported on Form 1099-R. Generally, 60-day rollover contributions are not reportable as income on your federal income tax return, although they may be subject to withholding tax. IRS Form 1040 or 1040A Instructions provide more details.

Q8. How do I report conversions and/or recharacterizations from Form 5498 that are reported as distributions on my Form 1099-R?

A8. Use Form 8606 to report conversions to balance out the distribution reported on Form 1099-R. Failure to complete Form 8606 may result in penalties. Recharacterizations are not reported on Form 8606, but special tax reporting rules apply to contributions that have to be recharacterized. Please refer to the IRS Instructions for Form 8606 for more information.

Q9. My excess contribution was included on Form 5498. Where do you report the distribution I took from my account to correct the error?

A9. We report all IRA contributions, including excess contributions, on Form 5498. We report distributions on Form 1099-R. See IRS Form 1040 or Form 1040 A Instructions for further information.

Q10. Can I deduct SEP-IRA Contributions?

A10. Generally, if they were made by your employer, you cannot deduct these contributions. If you made the contributions as a self-employed person (or partner), they may be deductible. See IRS Publication 560.

Q11. My employer made a contribution in 2003 to my SEP-IRA or SIMPLE-IRA that related to the 2002 tax year, but it is being reported on Form 5498 for 2003. Why?

A11. The IRS requires that E*TRADE report employer contributions to SEP-IRAs and all contributions to SIMPLE -IRAs in the year that the funds are deposited to the account. However, you should continue to report contributions based on the tax year to which they relate, not the calendar year in which they were made.

Q12. I transferred my IRA to E*TRADE Securities during 2003. Who will send me my Form 5498?

A12. If you transferred your IRA to E*TRADE Securities in 2003, your enclosed Form 5498 only includes activity from the time your IRA was opened with E*TRADE Securities. Your former IRA trustee or custodian should provide a Form 5498 for any activity that occurred before your account was transferred.

Q13. Where can I find more information about retirement accounts?

A13. Visit https://us.etrade.com/e/t/applogic/RetirementPlan?gxml=ira_tips.html to learn more about how you can benefit from IRAs.