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## ROTH CONVERSION



1. ACCOUNT HOLDER INFORMATION	
First Name	Last Name
Account Number	

2. CONVERSION REQUIREMENTS AND CERTIFICATION	
<b>a. TIMELINESS</b> Have more than 60 days elapsed since you received the distribution from the disbursing IRA	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> n/a
<b>b. 70 ½ CONVERSION RESTRICTION</b> If you are age 70-1/2 or older in this calendar year, does the conversion contain any amounts which constitute a required minimum distribution?	<input type="checkbox"/> Yes <input type="checkbox"/> No
<b>c. INCOME RESTRICTION</b>	N/A
<b>d. TAX RETURN RESTRICTION</b> If you are married, will you and your spouse file separate Federal income tax returns for the year which the distribution occurs?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> n/a
<b>e. RECONVERSION RESTRICTION</b> If this is a reconversion of a prior conversion, is it within the same taxable year of the prior conversion or, if later, within 30 days of the re-characterizing of the prior conversion?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> n/a
<b>f. TWO YEAR RESTRICTION</b> If this is a conversion from a SIMPLE IRA, has it been less than two years since you first participated in a SIMPLE IRA plan sponsored by your employer?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> n/a

3. ASSET HANDLING INSTRUCTIONS			
Asset Description	Qty or Amount to be Recharacterized	Liquidate Immediately	Transfer In Kind
1.		[ ]	[ ]
2.		[ ]	[ ]
3.		[ ]	[ ]
4.		[ ]	[ ]

4. SIGNATURE
<p>Total Non-Cash Conversion Amount: _____ (Total from Section 3)</p> <p>Total Cash Conversion Amount: _____</p> <p>Total Conversion Amount: _____</p> <p>I have read and understand the conversion rules and conditions on both pages of this form and I have met the requirements for making a Roth IRA conversion. Due to the important tax consequences of converting funds or property to a Roth IRA, I have been advised to see a tax professional. All information provided by me is true and correct and may be relied on by the Trustee or Custodian. I assume full responsibility for this conversion transaction and will not hold the Trustee or Custodian liable for any adverse consequences that may result. I hereby irrevocably designate the Total Conversion Amount in cash and/or property as a conversion contribution.</p>   <p>_____ (IRA Account Holder, Beneficiary or Former Spouse)      _____ (Date)</p>



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### Rules and

### Conditions Applicable To Conversions

#### GENERAL INFORMATION

A conversion is a way to move money or property from an IRA to a Roth IRA. The Internal Revenue Code (IRC) limits who can complete a conversion and how the Trustee or Custodian must report the transaction. By properly completing this form you are certifying to the Trustee or Custodian that you have satisfied the rules and conditions applicable to a conversion and that you are making an irrevocable election to treat the transaction as a conversion.

#### CONVERSION REQUIREMENTS AND CERTIFICATION

##### 1. TIMELINESS

The funds you receive from the distributing IRA must generally be deposited into a Roth IRA within 60 days after you receive them. When counting the 60 days include weekends and holidays. Receipt generally means the day you actually have the funds in hand. For example, the 60 days would begin on the day following the day you pick up the check from the Trustee or Custodian or you receive the check in the mail. The IRS has the authority to grant extensions to the 60 (or 120) day rule in cases where a hardship would be related (e.g., casualty, disaster, etc.). Generally, in order to receive this relief you must apply for a Private Letter Ruling accompanied by the applicable user fee. An automatic waiver (no application to the IRS) is available if all the following are true: (1) the financial institution receives the funds prior to the expiration of the 60-day rollover period, (2) you follow all procedures required for depositing the funds into an eligible Roth IRA within the 60-day period, (3) the funds are not deposited due to financial institution error, (4) the funds are deposited into a Roth IRA within one year from the beginning of the 60-day rollover period, and (5) if the financial institution had deposited the funds as instructed, it would have been a valid rollover.

##### 2. 70-1/2 CONVERSION RESTRICTION

If this conversion is being made during or after the year in which you turn age 70-1/2, you cannot convert any distribution to the extent that it is a required minimum distribution from the distributing IRA.

##### 3. INCOME RESTRICTION

At present there are not any income restrictions for completing a Roth conversion.

##### 4. TAX RETURN RESTRICTION

If you are married and you and your spouse file separate tax returns for the year in which the distribution occurs, you are not eligible to convert your IRA to a Roth IRA during such year unless you and your spouse have lived apart for the entire taxable year.

##### 5. RECONVERSION RESTRICTION

If you are reconverting a conversion made during the same taxable year or, if later, within 30 days of when the conversion was recharacterized back to the IRA, you cannot reconvert at this time.

##### 6. TWO YEAR RESTRICTION

If you are converting from a SIMPLE IRA, you cannot convert to a Roth IRA within two years from when you first participated in a SIMPLE IRA plan sponsored by your employer.

### General Guidelines for Converting Non-Cash or Hard To Value Assets

When a Roth IRA conversion or IRA distribution is executed for a self directed IRA account that holds non-cash, or hard to value assets, then an accurate asset valuation must be obtained. Examples of non cash, hard to value assets can be:

- Real Estate
- Tenants in common (TIC) in real estate
- Checkbook control LLC
- Private Placements (LLC, partnerships, thinly traded stock, etc.)
- Loans or notes

1) If the IRA holds any of these type of assets, then the following steps must be followed in order to insure IRS compliance for the Roth conversion or IRA distribution:

- a) Obtain market valuation of the assets by a qualified independent expert for that asset type or category. For example, if the asset is real estate, then a qualified real estate appraiser must be hired to provide the valuation.

*NOTE: You, the account holder or your spouse, would not be considered to be independent. So, if you are a trained real estate appraiser, or business valuation expert, you or your spouse could not provide the valuation on behalf of your IRA. You must hire a true independent subject matter expert.*

- b) If you hold interest in a private placement or other thinly traded or hard to value business entity, then you should contact the manager or partner of that entity and request a signed valuation statement showing what your current interest in that entity is worth. Such a statement should be signed, dated and notarized by the person(s) authorized to act on behalf of the entity.

- c) Provide a copy of the valuations of the various assets held in the IRA to the American Estate & Trust, your IRA custodian, along with a letter from you stating under the penalty of perjury that the valuations and information that you have provided are correct, true and accurate to the best of your knowledge (see attached document for a letter/statement that would be suitable)
- 2) IRA that holds membership interest in a checkbook control LLC
  - a) If you hold membership interest in your own IRA-LLC, then Section 1, above, would apply to any and all assets held in the LLC. This means that any non-cash, hard to value assets held in the LLC must also have a fair market appraisal or valuation by a independent expert.
  - b) Once any valuations are obtained, if required, you then need to have a trained and qualified tax professional such as a CPA provide a audited balance sheet showing the total value of the LLC. The tax professional must provide the valuation, supporting documentation and a signed letter stating that this is their valuation based upon the information provided.
  - c) Provide the tax professional's valuation report and balance sheet to your IRA custodian along with your personal certification that all information is true and accurate in the penalty of perjury.
- 3) Documentation Requirements
  - Fair Market Valuations of any non-cash assets being re-characterized.<sup>1</sup>
  - Calculations of any gains or losses associated with the Roth IRA that are to be re-characterized

*NOTE: Conversions will be subject to a minimum fee for Roth conversions per the current, published fee schedule. Additional fees may be charged depending on the nature, time and effort required to complete the re-characterization.*

#### 4) How The Conversion Works

Account holder provides AET with the conversion form. This form will indicate the amount to be converted for cash and non-cash assets. AET will create a 1099-R in the current calendar year. This 1099 will be filed in next year per IRS guidelines for filing 1099-Rs.

#### 5) Do's and Don'ts

- a) What To Do
  - i) Determine what are the assets held in the IRA. Any non-cash assets that are held in the account will require a fair market valuation.
  - ii) Secure the services of a qualified tax advisor to guide you through the process.
  - iii) Secure the services of a properly licensed appraiser for the assets that are to be re-characterized
- b) What Not To Do
  - i) Don't seek tax advice from the custodian or trustee.
  - ii) Don't send in detailed, documentation of assets not directly held in the account that must be used to calculate a net asset value of the non-cash assets. We will not prepare numbers or calculations for asset values. We will be looking for a final valuation document.
  - iii) Don't assume that a CPA providing a book value qualifies as a fair market appraisal. Seek out a qualified appraiser of the assets held in your account. Such an appraiser will likely have separate licensing and training in appraisals for assets.
  - iv) Don't use a realtor to provide market appraisals when valuing real estate assets held directly in the account.

***NOTE: The account holder needs to seek the advice of a tax advisor to determine their exact situation and circumstances. Do not rely on this document for completing your personal tax returns.***

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<sup>1</sup> IRS guidelines for asset valuations must be followed. A CPA statement or a client generated value will generally not suffice for a valuation. In general a valuation must be completed by someone who is qualified and trained to value such assets. Related parties cannot be used as the valuation expert.



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### Account Holder Letter To American Estate & Trust

I \_\_\_\_\_ the holder of account \_\_\_\_\_ do

(Account holder name) (Account number)

hereby swear under the penalty of perjury that the asset and account valuations supplied  
 or attached herein are true and correct.

\_\_\_\_\_

Account Holder Name

\_\_\_\_\_

Account Holder Signature

\_\_\_\_\_

Date