

WHEN TO USE THIS FORM

Use this form to request the recharacterization of:

- ◆ A Traditional IRA contribution to a Roth IRA contribution
- ◆ A Roth IRA contribution to a Traditional IRA contribution
- ◆ An amount converted to a Roth IRA back to the original IRA (Traditional, SEP-IRA or Simple-IRA)
- ◆ A qualified rollover contribution (conversion) made to a Roth IRA from the non-Roth portion of a qualified retirement plan (such as a 401(k) or profit sharing plan)
- ◆ A qualified rollover contribution (conversion) made to an Inherited Roth IRA from the decedent's non-Roth portion of a qualified retirement plan (such as a 401(k) or profit sharing plan)

INFORMATION ABOUT RECHARACTERIZATIONS

A recharacterization is a transaction by which an IRA owner is permitted to treat contributions made to one type of IRA as having been made to another type of IRA. In general, if an individual makes a contribution to one IRA (the FIRST IRA) and then transfers the contribution (or a portion of the contribution) in a trustee-to-trustee (or custodian-to-custodian) transfer to another IRA (the SECOND IRA), the individual can treat the contribution as having been made to the SECOND IRA instead of to the FIRST IRA.

Why would I want to recharacterize a contribution?

An IRA owner may wish to recharacterize a contribution for various reasons. For example, suppose an IRA owner contributed \$5,000 to a Traditional IRA (the FIRST IRA) thinking that the contribution would be deductible, but later discovered that it would not be deductible because she was covered by a retirement plan at work. She also discovered that, because her compensation was less than the limitation, she would have been eligible to make a \$5,000 contribution to a Roth IRA. The recharacterization rules permit her to recharacterize her Traditional IRA contribution as a Roth IRA contribution by having the \$5,000 (plus earnings) transferred to a Roth IRA (the SECOND IRA).

Is there a deadline for recharacterizing?

Yes. The deadline for completing a recharacterization is the due date, including extensions, for filing the individual's tax return for the year **for which the contribution was made**, not the year in which the contribution was made. In addition, if the individual's tax return was filed on time, there is a six-month extension of time to make the recharacterization. This means that most people would have until October 15 of the year after the contribution was made to make the recharacterization.

Do I need to recharacterize the earnings attributable to the original contribution also?

Yes. The net income attributable to the amount of contribution that is being recharacterized from the FIRST IRA must be transferred to the SECOND IRA along with the contribution.

What if the value of my IRA (the FIRST IRA) has gone down since the contribution or conversion was made to it?

In that case, the net income attributable to the amount of contribution that is being recharacterized would be negative (i.e., a loss). Consequently, the amount transferred from the FIRST IRA to the SECOND IRA would be less than the amount originally contributed to the FIRST IRA.

How are recharacterizations reported?

The amount transferred from the FIRST IRA will be reported on Form 1099-R and the corresponding amount transferred into the SECOND IRA will be reported on Form 5498. Since the contribution is treated as having been made to the SECOND IRA, you will need to report it appropriately on your tax return and Form 8606, if applicable. You should consult with your CPA or other tax advisor for advice regarding recharacterizations.

Where can I find more information about recharacterizations?

- ◆ IRS Publication 590-B
- ◆ IRS Form 8606 and Instructions
- ◆ Form 1099-R and Instructions
- ◆ Form 5498 and Instructions

(LIBERTY TRUST COMPANY ACCOUNT NUMBER)

FOR PROCESSING, RETURN TO: IPS ♦ 8226 Douglas Avenue ♦ Suite 520 ♦ Dallas, Texas 75225-5927 ♦ 800-473-1977 ♦ 855-739-1987 FAX

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ACCOUNT OWNER INFORMATION

Legal Name:	Soc. Sec. Number: XXX-XX-
Date of Birth:	Daytime Phone:
Address:	City, State, Zip:

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RECHARACTERIZATION INSTRUCTIONS

Recharacterize the contribution identified below by transferring the contribution and the net earnings attributable to the contribution from the FIRST IRA to the SECOND IRA in a trustee-to-trustee transfer. The FIRST IRA is the IRA from which the recharacterization is being made. The SECOND IRA is the IRA to which the recharacterization is being made.

A. Type of contribution being recharacterized

- An annual IRA contribution
- A Roth conversion contribution
- A qualified rollover contribution (conversion) made to a Roth IRA from the non-Roth portion of a qualified retirement plan (such as a 401(k) or profit sharing plan)
- A qualified rollover contribution (conversion) made to an Inherited Roth IRA from the decedent's non-Roth portion of a qualified retirement plan (such as a 401(k) or profit sharing plan)

B. FIRST IRA type (IRA to recharacterize FROM)

- Roth IRA
- Traditional IRA
- Inherited Roth IRA

SECOND IRA type (IRA to recharacterize TO)

- Traditional IRA
- Roth IRA
- Inherited Traditional IRA

C. First IRA account number

LTC Account Number

- FIRST IRA was not an LTC Account

Second IRA account number

LTC Account Number

If you do not have a Liberty Trust Company account, please leave this blank and attach a new Account Application and Fee Agreement to this form.

D. Amount of contribution to be recharacterized:

\$ _____

E. Date that contribution to be recharacterized was made to FIRST IRA*

* (If made in a series of deposits, enter date of first contribution that is part of the amount being recharacterized)

F. Earning attributable to the contribution being recharacterized

- The entire contribution was made to this IRA with Liberty Trust Company ("LTC"). I direct LTC to calculate the earnings attributable to the contribution being recharacterized.
- The entire contribution was not made to this IRA with Liberty Trust Company ("LTC"). I have determined that the earnings attributable to the contribution being recharacterized are \$ _____.

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RECHARACTERIZATION INSTRUCTIONS (CONTINUED)

G. Full or Partial Recharacterization

- This is a partial recharacterization of the FIRST IRA. I understand that my FIRST IRA will remain open and that standard account fees will apply to both the FIRST and SECOND IRAs.
- This is a full recharacterization of all the assets from the FIRST IRA.
 - Close the FIRST IRA after the recharacterization
 - Keep my FIRST IRA open. I understand that my FIRST IRA will remain open and that standard account fees will apply to both the FIRST and SECOND IRAs.

F. Valuation of Assets

- Recharacterize at the most recent value(s) provided by me.
- Attached is a Fair Market Value update.

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ASSETS TO BE RECHARACTERIZED

Recharacterize in the following manner:

- CASH. Recharacterize the entire amount from the available cash in my account
- IN-KIND. Recharacterize the entire amount by means of an in-kind recharacterization of the assets identified below
- CASH and IN-KIND. Recharacterize as follows
 - \$ _____ from the cash in my account and the remainder from the assets identified below
 - \$ _____ from the assets identified below and the remainder in cash

Name	Unit Price	Name	Unit Price

IMPORTANT INFORMATION REGARDING IN-KIND RECHARACTERIZATIONS: Please be aware that an in-kind recharacterization may take longer to complete than a cash recharacterization. If an in-kind recharacterization is being made, you will need to identify the assets to be recharacterized above. Additional forms will be required to transfer ownership from the FIRST IRA to the SECOND IRA. We (Liberty Trust Company) will charge a re-registration fee for the in-kind recharacterization. In addition, there may be fees charged by third parties, such as the investment sponsor, escrow agent or transfer agent.

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PAYMENT OF FEES—FEES WILL BE DEDUCTED FROM YOUR ACCOUNT UNLESS OTHERWISE INDICATED

- Recharacterization—\$50.00 + \$25 per asset
 - Asset Re-registration—\$100.00 (per asset)
- Your account
 Check enclosed
 Credit Card on file

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DECLARATION AND SIGNATURE

I understand the rules regarding recharacterization. The decision of whether to recharacterize was made in light of all relevant financial information and in conjunction with my professional tax advisors.

Signature: **X** _____

Date: **X** _____