Merrill Lynch Trust Company Trusteed IRAs

What are Merrill Lynch Trust Company Trusteed IRAs?
Merrill Lynch Trust Company* Trusteed IRAs are retirement and estate planning solutions that combine the tax benefits of a traditional or Roth individual retirement account (IRA) with the protection and control of a trust. A Trusteed Traditional or Trusteed Roth IRA enables you to integrate planning for your retirement assets with your broader estate plan conveniently and cost effectively.

Why should you consider Merrill Lynch Trust Company’s Trusteed IRAs?
Your IRA, 401(k), profit sharing or other retirement assets may represent a substantial portion of your overall wealth. Merrill Lynch Trust Company Trusteed IRAs can help you to meet your retirement and estate planning goals within one account, professionally managed and invested by us.

As the trustee of your Traditional or Roth IRA, Merrill Lynch Trust Company will help make any IRS required distributions during your lifetime, even if you become incapacitated. At death, your Trusteed IRA can continue to be managed by Merrill Lynch Trust Company as trustee, for the benefit of your heirs, allowing us to control distributions and control succession planning if needed.

A Trusteed IRA is an especially valuable estate planning tool if you have:

- Substantial IRA assets and are interested in professional money management, continuity and secure disposition of your assets at death
- Children from a prior relationship and you want them to receive any funds not needed to provide for your current spouse or partner
- An estate that includes substantial retirement assets and you are seeking to fund a trust at death to help minimize federal estate tax
- A desire to provide a “safety net” of regular fixed payments for children or other heirs, but without passing complete control of IRA assets to them at your death
- A concern that your heirs will spend your IRA assets immediately after your death instead of receiving measured IRA withdrawals, with the potential growth and tax benefits that IRAs can provide

How do Trusteed IRAs work?
Merrill Lynch Trust Company’s Trusteed IRAs generally, are created by rolling over an existing IRA or a distribution from a 401(k) or other qualified plan. You select investment guidelines and specific rules for distributions to your heirs. Merrill Lynch Trust Company will then implement your instructions. A simple form makes it easy for you to authorize us to:

- Professionally invest your IRA assets using a broad range of fiduciary-appropriate, open architecture investments
- Continue to manage your investments, calculate and make required minimum distributions (RMDs) as needed—and pay bills should you or your heirs become incapacitated
- Implement a “Stretch” IRA technique that can extend your IRA assets beyond your lifetime, possibly to multiple generations

Are Not FDIC Insured Are Not Bank Guaranteed May Lose Value
Are Not Deposits Are Not Insured By Any Federal Government Agency Are Not a Condition to Any Banking Service or Activity

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Investment products:

MLPF&S and Bank of America, N.A., make available investment products sponsored, managed, distributed or provided by companies that are affiliates of BAC or in which BAC has a substantial economic interest, including BofA® Global Capital Management.
Administer your IRA distributions to meet your specific estate planning goals, such as providing for a spouse before passing assets to your children.

Distribute assets in a manner that helps maximize tax benefits during your lifetime and that of your heirs.

**What are the benefits of a Merrill Lynch Trust Company Trusteed IRA?**

**Streamlined planning process**

Clients often retain attorneys to draft complex beneficiary designations or trust instruments to ensure that IRA assets are properly incorporated into an estate plan. With Merrill Lynch Trust Company’s Trusteed IRAs, you and your attorney can streamline this process by using our unique, comprehensive “Beneficiary Plus” beneficiary designation form and trust provisions. Using the Beneficiary Plus form, you can determine not only who will receive your IRA assets at death, but how they will receive them and over what periods of time.

Of course, we will also work with you and your attorney if you prefer to draft your own instruments or supplement our provisions.

**The knowledge and experience of a leading corporate trustee**

A relationship with Merrill Lynch Trust Company gives you the opportunity to work with a corporate trustee that is experienced in managing intergenerational wealth, working with advisors and coordinating the interests of clients, beneficiaries and family members.

**Investment continuity that can span generations**

You can authorize Merrill Lynch Trust Company, as trustee, to exercise investment authority on your behalf should you become incapacitated to minimize the potential investment losses that could occur while awaiting a court hearing. At your death, your Trusteed IRA will remain fully invested, without interruption, while heirs and the court determine proper ownership of your IRA and settle tax matters. You can also authorize Merrill Lynch Trust Company to continue to deliver professional asset management to help meet your goals in caring for your heirs, including in the event of their incapacity. We can also work with your agent under a power of attorney agreement.

**Guidance, administration and service**

Clients choose the Merrill Lynch Trust Company Trusteed IRAs for the expert guidance they receive in retirement and estate planning services and administration, investment management and fiduciary services. Merrill Lynch Trust Company’s trust professionals have extensive knowledge and experience in administering Trusteed IRAs. During your lifetime, they can help you manage distributions to assist you in minimizing taxes and addressing your financial and estate planning goals. This includes calculating annual IRS required distributions on your Traditional Trusteed IRA and helping you time withdrawals to meet your financial needs and avoid IRS tax penalties.

Upon your death, Merrill Lynch Trust Company provides comprehensive guidance and assistance to manage your IRA during the estate administration process. This includes providing date of death valuation information for tax purposes and assuring IRS required minimum distributions from your IRA for the year of death are made. After your death, Merrill Lynch Trust Company’s trust professionals oversee IRS required beneficiary distributions, work with your heirs to help meet their financial needs within the instructions you provided, and perform tax recordkeeping and reporting for your Trusteed IRA.

<table>
<thead>
<tr>
<th>IRA Feature</th>
<th>Trusteed Traditional IRA</th>
<th>Trusteed Roth IRA</th>
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</thead>
<tbody>
<tr>
<td>Taxation of income</td>
<td>Tax-deferred accumulation</td>
<td>Tax-free accumulation</td>
</tr>
<tr>
<td>Withdrawals</td>
<td>Taxable</td>
<td>Tax-free to original owner and his or her beneficiaries²</td>
</tr>
<tr>
<td>Required minimum withdrawals</td>
<td>Must begin taking by age 70½³</td>
<td>None for original owner—helps maximize the benefits of tax-free accumulation</td>
</tr>
<tr>
<td>Tax on Social Security benefits</td>
<td>Withdrawals taken into consideration when calculating tax</td>
<td>Withdrawals are not factored into calculation of tax on benefits</td>
</tr>
<tr>
<td>3.8% surtax on net investment income</td>
<td>Withdrawals are included in base used to determine if investment income is subject to the surtax</td>
<td>Withdrawals are not included in the base</td>
</tr>
<tr>
<td>Tax on conversion</td>
<td>None</td>
<td>Pre-tax contributions and any earnings converted to a Roth are subject to income tax in the year of the conversion⁴</td>
</tr>
</tbody>
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¹ Assumes you purchase an annuity or life income option with your IRA assets after age 70½.
² Assumes you purchase an annuity or life income option with your IRA assets after age 70½.
³ Assumes you purchase an annuity or life income option with your IRA assets after age 70½.
⁴ Assumes you purchase an annuity or life income option with your IRA assets after age 70½.
What are the tax consequences of a Roth conversion?

Income tax

When you convert to a Trusteed Roth IRA, any deductible contributions you made, together with accumulated earnings in the traditional IRA, become taxable. However, even if you are younger than age 59½, you will not be liable for the 10% early withdrawal penalty on the conversion.4

To maximize the benefits of conversion, the money you use to pay the taxes should come from a source outside the account you are converting. If you pay the tax from your traditional IRA, you will have fewer assets to convert, and you will lose the opportunity for those assets to grow tax free in the Trusteed Roth IRA. In addition, you might have to pay the early withdrawal penalty on the traditional IRA assets you withdraw for your conversion tax payment, if you are under age 59½.

Estate tax planning benefits

The value of the Trusteed Roth IRA will be included in your gross estate for federal estate-tax purposes. However, the amount of income tax you pay on the conversion will reduce your gross estate, which could result in federal estate-tax savings if your estate is large enough to be subject to tax.

Who might find a Trusteed Roth IRA conversion beneficial?

Whether a Roth conversion is right for you will depend on your personal financial situation. In general, a Roth IRA may be beneficial if you:

• Have sufficient income from nonretirement accounts to support you in retirement
• Have the resources to pay income taxes on the conversion
• Want to leave assets to your children and other heirs tax free
• Are temporarily in a lower tax bracket or think you will be in the same or a higher tax bracket when you retire
• Currently have a moderately-sized IRA account balance but expect the value of your account assets to significantly appreciate in the future
• Want to potentially increase your tax-free income as part of an overall portfolio strategy
• Want to potentially reduce the taxable value of your estate

How can you get started?

Merrill Lynch Trust Company is part of one of the nation’s foremost trust providers and is supported by the services of a premier global investment firm. Your Merrill Lynch Financial Advisor, working with our seasoned Trust Specialists, can provide you with more information on the Trusteed Traditional or Trusteed Roth IRA—then address your unique needs and the needs of your beneficiaries. For more information, please visit www.wealthmanagement.ml.com

Any information presented about tax considerations affecting client financial transactions or arrangements is not intended as tax advice and should not be relied upon for the purpose of avoiding any tax penalties. Neither Merrill Lynch nor its representatives provide tax, accounting or legal advice. Clients should review any planned financial transactions or arrangements that may have tax, accounting or legal implications with their personal professional advisors.

1 Stretch IRA strategies are appropriate for individuals who will not need to use their IRA assets during retirement.
2 For a withdrawal from a Roth IRA or Trusteed Roth IRA to be federally tax free, it must be considered qualified. There is a five-year holding period when determining whether earnings can be withdrawn tax-free as part of a qualified distribution from a Roth IRA. This period begins January 1 of the tax year of the first contribution or the year of conversion to any Roth IRA. The distribution must be made after the five-year holding period, and the individual must have reached age 59½, be deceased, disabled or use the funds for a first-time home purchase (lifetime limit of $10,000). There is a 10% penalty for non-qualified withdrawals of earnings taken before age 59½, unless an exception defined by the Internal Revenue Code applies. A special penalty provision applies for converted assets. If a non-qualified withdrawal is made within five years of the conversion, the earnings withdrawn will be subject to income tax, and the entire withdrawal may be subject to an additional penalty unless an exception applies.
3 The IRS mandates traditional IRA owners begin taking RMDs at age 70½. There is a 50% penalty if you do not withdraw the required minimum in the year you turn 70½ or if you take less than the required amount.
4 Roth IRA conversions are not subject to the 10% early-distribution penalty tax, even if you are under age 59½, provided the conversion occurs within 60 days of when the distribution was taken from the IRA.

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