NEXT GENERATION
TRUST COMPANY
CONTROL YOUR FUTURE, TODAY

New Account Starter Kit

Health Savings Account (HSA)

Address:
Next Generation Trust Company
401 E. 8th Street, Suite 200H
Sioux Falls, SD 57103

Next Generation Services, LLC
75 Livingston Ave, Suite 304
Roseland, NJ 07068

Toll Free: (888) 857-8058
Phone: (973) 533-1880
Fax: (973) 533-1088

EMail:
Accounts@NextGenerationTrust.com

Get Started Today!

Visit us on the web:
www.nextgenerationtrust.com

© Next Generation Trust Company 2019 Rev 8/19

Application Checklist

Step One:
Fill Out Pages 1-3 on the Application

- ☐ *Complete Page 1:* Don't forget to fill out your county, occupation, and please elect only one type of account to open. If you wish to open more than one account, please fill out a second application.
- ☐ *Complete Page 2:* Don't forget to include the Social Security Number and birthday for any and all beneficiaries.
- ☐ *Complete Page 3:* Please sign and date on the bottom line.

Step Two:
Choose a Fee Option on the Fee Schedule

- ☐ Please elect the fee option you feel is best suited for your account.
- ☐ Elect an invoice option.
- ☐ Sign and Date on the bottom line.

Step Three:
Client Release Form

- ☐ Fill out your name and the date.
- ☐ Bring this form to a notary. Have them witness your signature on the line requesting client signature, unless you are using Right Sign.
- ☐ Have a notary sign and stamp the bottom portion, unless you are using Right Sign.

Step Four:
Fund Your Account via Transfer or Contribution

(Note: One or more may apply)

- ☐ *Transfer Form:* This form is for transferring funds from an existing HSA to a HSA with Next Generation. Please note that your current custodian may request a medallion stamp guarantee to process the transfer form. Please check your current custodian requirements and include an account statement.
- ☐ *Contribution:* If contributing to your account, please make sure you make the check payable to Next Generation TC FBO Client Name HSA #####. Note the contribution year in the memo section.
- ☐

Step Five:
Make a Copy of Your Photo ID

- ☐ Make a copy of your non-expired, government issued photo identification.
- ☐ Please make sure the copy is clear and legible.
- ☐ If you have a different address than the one on your ID, please attach a current Tax bill, banking statement, utility bill, or Rental Agreement signifying proof of address.

Step Six:
Fill out the Additional Optional Forms

- ☐ Fill out the Interested Party Designation form to allow another person, other than yourself, to obtain account information.
- ☐ Fill out the Limited Power of Attorney form to allow another person, other than yourself, to obtain account information and conduct transactions on behalf of the account.

Final Step:
Pay Your Fees and Submit the Completed Packet

- ☐ Make a check out for the $50 setup fee and the appropriate administration fee (based on your elected fee option) payable to: *Next Generation Trust Company* or
- ☐ Fill out a Credit Card Authorization Form *(note: we do not accept American Express)*.
- ☐ Mail Original Documents to: Next Generation Services
  75 Livingston Avenue, Suite 304
  Roseland, NJ 07068

Please Note:
Processing Times and Other Information

- ☐ Administration review will be between two and five business days depending on the complexity of the transaction and our volume in the transaction queue.
- ☐ Transactions are scheduled in the order in which they are received. Please expect transactions to be completed in two business days after receipt of original, correct documents AND cleared funding.
- ☐ Clearing times: Wire (24 hours), ACH/Money Order/Certified Check (2 business days), Check (5 business days)
- ☐ For help filling out these documents, please call the office. For investment documents, please visit the Client Forms section of our website.

© Next Generation Trust Company 2019 Rev 8/19

NEXT GENERATION TRUST COMPANY
401 E. 8TH STREET, SUITE 200H
SIOUX FALLS, SOUTH DAKOTA 57103
TOLL FREE: 888-857-8058

APPLICATION

NEXT GENERATION
TRUST COMPANY
CONTROL YOUR FUTURE, TODAY

NEXT GENERATION SERVICES, LLC, 75 LIVINGSTON AVE. STE. 304, ROSELAND, NJ 07068 | P: (973) 533-1880 * F: (973) 533-1088

PERSONAL INFORMATION

For Office Use Only: Account # ______

Legal Name *(required)* ______

☐ Mr. ☐ Mrs. ☐ Ms. ☐ Dr.

Residential Address *(required)* ______

☐ Single

City, State, Zip ______

☐ Married

Mailing Address *(optional)* ______

☐ Widowed/Divorced

City, State, Zip ______

County *(required)* ______

Occupation *(required)* ______

Date of Birth (MM/DD/YYYY)

☐☐ ☐☐ ☐☐☐☐

Social Security Number (Required)

☐☐☐ — ☐☐ — ☐☐☐☐

Preferred Method of Contact:

Phone ______ ☐

Fax ______ ☐

Cell ______ ☐

Email ______ ☐

PLEASE TELL US HOW YOU HEARD ABOUT US:

☐ Web ☐ Ad ☐ Article ☐ Event ______ ☐ Referred By ______

☐ Promo Code ______ ☐ Other ______

CHOOSE TYPE OF ACCOUNT: *Please check only one box.*

☐ Traditional IRA ☐ Roth IRA

☐ SEP IRA *(Please attach 5305 SEP Form.)*

Name of Business: ______

☐ Simple IRA *(Please attach 5305 Simple Form.)*

Name of Business: ______

☐ Beneficiary IRA *(Please mail or hand deliver original, certified copy of death certificate.)*

Name of Deceased: ______

Your Relationship to the Deceased: ______

IRA Type: ☐ Traditional ☐ Roth ☐ SEP ☐ Simple

☐ Health Savings Account

Type: ☐ Self-only Coverage ☐ Family Coverage

© Next Generation Trust Company 2017 Rev 06/17

NEXT GENERATION TRUST COMPANY
401 E. 8TH STREET, SUITE 200H
SIOUX FALLS, SOUTH DAKOTA 57103
TOLL FREE: 888-857-8058

APPLICATION

NEXT GENERATION
TRUST COMPANY
CONTROL YOUR FUTURE, TODAY

NEXT GENERATION SERVICES, LLC, 75 LIVINGSTON AVE. STE. 304, ROSELAND, NJ 07068 | P: (973) 533-1880 * F: (973) 533-1088

PLEASE INDICATE FUNDING METHOD: *(Check all that apply.)*

☐ **Annual Contribution**
Tax year of Contribution: __________
Please attach deposit coupon.

☐ **Transfer**
Transfer from existing IRA.
Please attach transfer form.

☐ **Indirect Rollover**
Take receipt of the assets for up to 60 days before redepositing into a new retirment plan. Please attach rollover form.

☐ **Direct Rollover**
Rollover from Employer Sponsored Plan. Please attach rollover form.

PLEASE INDICATE BENEFICIARIES:

I, ____ *(required to list name)*, designate the person(s) named below as the Primary and/or Contingent Beneficiaries of this account. A beneficiary shall be deemed to be a Primary Beneficiary if the Primary or Contingent box is not selected for said beneficiary. In the event of my demise, Primary Beneficiaries who survive me shall receive the assets of the account in equal shares (or in the specified shares, as designated). If all Primary Beneficiaries pre-decease me, Contingent Beneficiaries who survive me shall receive the assets of the account in equal shares (or in the specified shares, as designated). A Primary or Contingent beneficiary's interest and the interest of such beneficiary's heirs shall terminate completely, in the event that the aforementioned beneficiary does not survive me. In such cases, the share for any remaining Primary or Contingent Beneficiary shall be increased on a pro rata basis. In the event that there are no surviving Primary or Contingent Beneficiaries, remaining assets of the account shall be distributed to my estate in accordance with the plan provisions.

☐ Primary ☐ Contingent

Name ____ SSN ____________________
Address ____ Relationship ______________
City, State, Zip ____________________________________ Date of Birth ______________
Email ____________________________ Phone __________ Share ____________________

If I named a Beneficiary which is a Trust, I understand I must supply a copy or abstract of the Trust.

☐ Primary ☐ Contingent

Name ____ SSN ____________________
Address ____ Relationship ______________
City, State, Zip ____________________________________ Date of Birth ______________
Email ____________________________ Phone __________ Share ____________________

If I named a Beneficiary which is a Trust, I understand I must supply a copy or abstract of the Trust.

☐ Primary ☐ Contingent

Name ____ SSN ____________________
Address ____ Relationship ______________
City, State, Zip ____________________________________ Date of Birth ______________
Email ____________________________ Phone __________ Share ____________________

If I named a Beneficiary which is a Trust, I understand I must supply a copy or abstract of the Trust.

☐ Primary ☐ Contingent

Name ____ SSN ____________________
Address ____ Relationship ______________
City, State, Zip ____________________________________ Date of Birth ______________
Email ____________________________ Phone __________ Share ____________________

If I named a Beneficiary which is a Trust, I understand I must supply a copy or abstract of the Trust.

ACCOUNT OWNER SIGNATURE:

I understand that I may change or add beneficiaries at any time by completing the Change of Beneficiary form and submitting the original to the Administrator for Next Generation Trust Company. Next Generation Services is located at 75 Livingston Ave. Ste 304, Roseland, NJ 07068.

Signature of Participant ____ Date ______________

SPOUSAL CONSENT: *(Only required if your spouse is not the primary beneficiary–see note below.)*

This section is to be completed if your legal residence is in a Community Property State and your spouse has not been designated as your Primary Beneficiary with 100% share.

I, ____ *(name of spouse)* hereby approve the above beneficiary designation.

Signature of Spouse ____ Date ______________

© Next Generation Trust Company 2017 Rev 06/17

Next Generation Trust Company
401 E. 8th Street, Suite 200H
Sioux Falls, South Dakota 57103
Toll Free: 888-857-8058

Application

NEXT GENERATION
Trust Company
CONTROL YOUR FUTURE, TODAY

NEXT GENERATION SERVICES, LLC, 75 LIVINGSTON AVE. STE. 304, ROSELAND, NJ 07068 | P: (973) 533-1880 * F: (973) 533-1088

Appointment of custodian, investment direction and important disclosures:

Your signature is required. Please read before signing. The account holder shown on the front of this application must read this agreement carefully and sign and date this part. By signing this application, you acknowledge the following:

Appointment
I appoint Next Generation Trust Company as the Custodian of my Account ("Custodian"), and understand and acknowledge that the Custodial Plan Agreement and my Application are my agreement with the Custodian. Next Generation Services, LLC ("Administrator") is the Administrator to the Custodian. The Administrator may change the custodian to any institution permitted by law or as instructed by the undersigned. Written direction is understood to also include a facsimile signature. The account is established for the exclusive benefit of the Account holder or his/her beneficiaries.

Adequate Information
I acknowledge that I have received a copy of the Custodial/Plan Agreement, Disclosure Statement and the Fee Disclosure. I understand that the terms and conditions that apply to this Account are contained in these documents. I agree to be bound by those terms and conditions. If this is an IRA, within 7 days from the date the account application is signed, it may be revoked without penalty by mailing or delivering a written notice to the Custodian/Administrator.

Responsibility for Tax Consequences
I assume all responsibility for any taxes and/or penalties that may result from making contributions to, transactions within and distributions from my Account. I attest that I am authorized and I am of legal age to establish this Account and make investments permitted under the Custodial/Plan Agreement offered by the Custodian/Administrator.

I assume complete responsibility for:
1) Determining that I am eligible for a transaction that I direct the Custodian/Administrator to make on behalf of my account;
2) Ensuring that all contributions made are within the limits set by current tax laws; and,
3) The taxes of any contribution (including rollover contributions and distributions).

I attest under penalties of perjury:
1) That I have provided you with my correct Social Security or Tax I.D. Number; and,
2) That I am not subject to backup withholding because I am exempt from backup withholding; or, I have not been notified by the IRS that I am subject to backup withholding; or, the IRS has notified me that I am no longer subject to backup withholding.

You must cross out #2 if you have been notified by the IRS that you are now subject to backup withholding because of under reporting interest or dividends on your tax return.

Except as stated above, we will not release information about you to others unless you or someone you have authorized, in writing, have consented and/or instructed us to do so, or we are required by law or other regulatory authority.

The IRS does not require your consent to any provision of this document other than the certification required to avoid backup withholding.

Until I change or revoke this designation, I hereby instruct the Custodian/Administrator to follow the investment directions that I will provide in investing and reinvesting the principal and interest, as confirmed by directions in writing to the Administrator from the undersigned for this account or other custodial account for which the Administrator serves as record keeper. The Custodian is authorized to accept written and/or verbal direction that is confirmed in writing by the undersigned, authorized party, or by the Administrator. Written direction is understood to also include facsimile signature.

This account is established for the exclusive benefit of the Account holder or his/her beneficiaries. In taking action based on this authorization the Custodian/Administrator may act solely on the written instruction or representation of the Account holder or authorized party.

I expressly certify that I take complete responsibility for the type of investments which I choose to purchase within this account. I agree to release, indemnify, defend and hold the Custodian/Administrator harmless from any and all claims, including, but not limited to, actions, liabilities, losses, penalties, fines and/or third party claims, arising out of my account and/or in connection with any action taken on the reliance upon my written instructions and/or representations, or in the exercise of any right, power or duty of Custodian/Administrator, its agents and/or assigns. The Custodian/Administrator may deduct from the account any amounts they are entitled for reimbursement under the foregoing hold harmless provision. I acknowledge and understand that the Custodian/Administrator shall have no responsibility or fiduciary role whatsoever related to or in connection with this account in taking any action related to any purchase, sale or exchange instructed by the undersigned or the undersigned's authorized agents, including but not limited to suitability, compliance with any state or federal law or regulation, income or expense, or preservation of capital or income. For purposes of this paragraph, the terms Custodian and Administrator include Next Generation Trust Company/ Next Generation Services, LLC, its agents, assigns, joint venturers and/or business partners.

In the event of claims made by others related to my account and/or investments where the Custodian/ Administrator is a named party, the Custodian/Administrator shall have the unequivocal right at their sole discretion to appoint and select their own attorneys to represent them in such actions and deduct from my account any amounts to pay for any costs and expenses, including, but not limited to, all attorneys' fees, other costs and internal costs (collectively "Litigation Costs"), incurred by the Custodian/Administrator in the defense of such claims and/or litigation. If there are insufficient funds in my account to cover the Litigation Costs incurred by the Custodian/Administrator, on their demand, I will immediately reimburse the Custodian/Administrator any outstanding balance of the Litigation Costs. If I fail to immediately reimburse the Litigation Costs, the Custodian/Administrator shall have the unequivocal right to freeze my assets, liquidate my assets, and/or initiate legal action to obtain full reimbursement of the Litigation Costs. I also understand and agree that the Custodian/Administrator will not be responsible to take any action should there be any default with regard to this investment.

I understand that no one at the Custodian/Administrator has authority to agree to anything different than the above listed understandings of the Custodian's/Administrator's policy. For purposes of this paragraph, the terms Custodian and Administrator include Next Generation Trust Company/ Next Generation Services, LLC, its agents, assigns, joint venturers and/or business partners.

In executing transfers, it is understood and agreed that I will not hold the Custodian/Administrator liable or responsible for anything done or omitted in the administration, custody or investments of the account prior to the date they shall complete their respective acceptance as successor custodian and administrator and shall be in possession of all of the assets, nor shall they have any duty or responsibility to inquire into or take any action with respect to any acts performed by the prior Custodian, or Administrator.

If any provision of this Application is found to be illegal, invalid, void or unenforceable, such provision shall be severed and such illegality or invalidity shall not affect the remaining provisions, which shall remain in full force and effect.

Important Information for Opening a New Account
To comply with the USA PATRIOT ACT, we have adopted a Customer Identification Program. All new accounts must provide a copy of an unexpired, photo-bearing, government-issued identification (driver's license or passport). The copy must be readable so we can verify the client's name, driver's license number or state issued ID number.

Our Privacy Policy
You have chosen to do business with the Custodian/Administrator named on the Account Application. As our client, the privacy of your personal non-public information is very important to us. We value our customer relationships and we want you to understand the protections we provide in regard to your account(s) with us.

Information We May Collect
We collect non-public personal information about you from the following sources to conduct business with you:
• Information we receive from you on applications or other forms;
• Information about your transactions with us, or others;

Non-public personal information is non-public information about you that we may obtain in connection with providing financial products or services to you. This could include information you give us from account applications, account balances, and account history.

Information We May Share
We do not sell or disclose any non-public information about you to anyone, except as permitted by law or as specifically authorized by you. We do not share non-public personal information with our affiliates or other providers without prior approval by you. Federal law allows us to share information with providers that process and service your accounts. All providers of services in connection with the Custodian/Administrator have agreed to the Custodian's/Administrator's confidentiality and security policies. If you decide to close your account(s) or become an inactive customer, we will adhere to the privacy policies and practices as described in this notice.

Confidentiality and Security
We restrict access to non-public personal information to those employees who need to know that information to provide products and services to you. We maintain physical, electronic, and procedural guidelines that comply with federal standards to guard your non-public personal information. The Custodian/Administrator reserves the right to revise this notice and will notify you of any changes in advance. If you have any questions regarding this policy, please contact us at the address or telephone number listed on the application.

I acknowledge receipt of a Fee Disclosure and receipt of the Custodial/Plan Agreement and Disclosure Statement and agree to abide by their terms as currently in effect or as they may be amended from time to time. I understand that failure to submit a signed Fee Disclosure will result in fees calculated "based on value of account" (See Fee Disclosure).

I declare that I have examined this document, including all accompanying information, and to the best of my knowledge and belief, it is true, correct and complete. I acknowledge I have read the Fee Disclosure, the Plan/Custodial Agreement and Account Disclosure Statement and agree to abide by their terms as currently in effect or as they may be amended from time to time. If you would like to give permission to another individual to access your account information (such as your spouse or other individual), you will need to complete the Limited Power of Attorney form or Interested Party Designation form.

PLEASE PRINT, SIGN AND MAIL THIS FORM TO NEXT GENERATION SERVICES, 75 LIVINGSTON AVE. STE 304, ROSELAND, NJ 07068.

Signature of Account Owner ______________________________ Date ________________

© Next Generation Trust Company 2017 Rev 06/17

NEXT GENERATION TRUST COMPANY
401 E. 8TH STREET, SUITE 200H
SIOUX FALLS, SOUTH DAKOTA 57103
TOLL FREE: 888-857-8058

FEE SCHEDULE

NEXT GENERATION
TRUST COMPANY
CONTROL YOUR FUTURE, TODAY

NEXT GENERATION SERVICES, LLC, 75 LIVINGSTON AVE. STE. 304, ROSELAND, NJ 07068 | P: (973) 533-1880 * F: (973) 533-1088

ANNUAL ADMINISTRATION FEE: DETERMINE THE BEST FEE OPTION FOR YOU.
ACCOUNT SET UP FEE: $50 FOR PAPER APPLICATION $25 FOR ELECTRONIC APPLICATION IN ADDITION TO MINIMUM ANNUAL FEE DUE, EITHER $325 (OPTION 1) OR $196 (OPTION 2)

Directions: Please check only one box.

☐ **OPTION ONE:** FEE BASED ON NUMBER OF ASSETS

Annual recordkeeping fee is $325 per asset and/or liability per year. Each additional asset is paid at the time of acquisition. Minimum annual record keeping fee is $325. Minimum fee will be applied to first asset purchased if acquired during first year. Account will be billed in the anniversary month of account opening. Please note that debt financing on an asset is charged as an additional investment.
Precious metal asset is reduced to $100/asset

☐ **OPTION TWO:** FEE BASED ON ACCOUNT VALUE

Billed Quarterly based upon the month that your account is opened.

Account Value	Quarterly Rate
up to $9,999	$49
$10,000-$19,999	$59
$20,000-$29,999	$75
$30,000-$39,999	$95
$40,000-$49,999	$115
$50,000-$59,999	$129
$60,000-$74,999	$149

Account Value	Quarterly Rate
$75,000-$99,999	$179
$100,000-$149,999	$209
$150,000-$199,999	$249
$200,000-$249,999	$299
$250,000-$499,999	$399
$500,000+	$499

TRANSACTION FEES:

- Purchase, Sale, Exchange, or Re-registration of any domestic asset: $100
- Purchase, Sale, Exchange, or Re-registration of any international asset: $125
- Further Funding an existing asset: $50
- Partial Redemption or Liquidation Request: $50
- Transaction for a Real Estate Deposit: $25
- Outgoing Checks: $5 each
- Cashier's or other Official Bank Check: $25
- Wire Transfers (Domestic): $30
- Wire Transfers (International): $50
- Outgoing ACH: $30
- Rush fee for expedited transaction processing or review services within the same day or next day may apply. Discuss further with a representative.
- Partial Termination, transfers out to another custodian and/or non qualified distribution, $100. Applicable transaction fees will apply for assets being transferred or distributed in-kind.
- Full Termination resulting in zero balance is $250, but does not include normal distributions. This includes lump sum distributions and transfer outs, but does not include required minimum distributions. Applicable transaction fees will apply for assets being transferred or distributed in-kind. Annual recordkeeping fees are not prorated when an account closes.

Regardless of Fee Option, Solo 401k's are billed a plan document fee of $300 annually.

All accounts include at no additional charge:

- Access to regular/education networking events
- Normal eligible distribution by check
- Online Account Access
- Annual tax reporting
- Annual statements mailed
- Quarterly statements emailed

RELATED EXPENSES:

- Medallion Guarantee $25, Notary $15 For non-NGTC forms.
- Returned items of any kind and stop payments: $30 per item.
- Reprocessing of incomplete documents are charged $25 per reprocessing, plus applicable fees. Discuss further with a representative.
- Special Services, such as research of closed assets or accounts, research for legal issues, or special handling of transactions: $150 per hour.
- Express Mail: $30 minimum, dependent on destination and speed.
- Invoice Reprocessing for late payments: $25.
- If you wish to receive quarterly mailed statements please remit $40 and initial here _____. This charge is incurred annually.

BILLING OPTIONS: *Please check only one box.*

Please check only one box. If no box is checked, fees will be automatically deducted from your undirected cash balance. All transaction fees are due at the time of transaction. Annual recordkeeping fees are billed as specified above. You may prepay fees at any time. If not paid by the due date, fees will be deducted from your uninvested balance. If there are insufficient funds in your account, we may liquidate other assets to pay for such fees in accordance with your Plan and Trust Disclosure.

☐ Please check if you would like to receive a printed invoice by mail for your administration fees.

☐ Please check if you would like to have fees charged to your credit card. Please attach credit card authorization form. No invoice will be mailed.

SIGNATURE:

In accordance with your plan and trust disclosure which you received as part of your application, custodial fees are part of the plan and trust disclosure. We will make our best effort to notify you of all changes to your fee schedule within a 30 day notice by posting the information on our website at *www.nextgenerationtrust.com*.

In accordance with your Account Application, this Fee Disclosure is part of your agreement with the Custodian/Administrator and must accompany your application.

Printed Name ____

Signature ______________________________ Date ______________

© Next Generation Trust Company 2019 Rev 8/19

NEXT GENERATION TRUST COMPANY
401 E. 8TH STREET, SUITE 200H
SIOUX FALLS, SOUTH DAKOTA 57103
TOLL FREE: 888-857-8058

CLIENT RELEASE FORM

NEXT GENERATION
TRUST COMPANY
CONTROL YOUR FUTURE, TODAY

NEXT GENERATION SERVICES, LLC, 75 LIVINGSTON AVE. STE. 304, ROSELAND, NJ 07068 | P: (973) 533-1880 * F: (973) 533-1088

CLIENT RELEASE: *This form is required when establishing an account. Mail form to Next Generation Services.*

This Release, dated ______________________________ , is given

By the Releaser ______________________________ , referred to as "You,"

TO NEXT GENERATION TRUST COMPANY, 401 E. 8th Street, Suite 200H, Sioux Falls, SD 57103, referred to as "NGTC"and NEXT GENERATION SERVICES, LLC 75 Livingston Ave., Ste. 304, Roseland, NJ 07068, referred to as "NGS".

If more than one person signs this release, "You" shall mean each person who signs this Release.

1. **Disclosure.** You understand and agree that NGTC/NGS does not approve investments for your Retirement Plan. NGTC/NGS is strictly a neutral holder of your Retirement Plan's Assets. In addition, you have read Internal Revenue Service Regulation Title 26, Section 4975 and are familiar with the prohibited transactions listed and the penalties which will be assessed by the Internal Revenue Service in the event that you engage in prohibited transaction(s).
2. **Release.** Because NGTC/NGS has no control over the investments you direct NGTC/NGS to make on behalf of your self-directed retirement plan, and could not know if there is information you have not provided to NGTC/NGS which would make NGTC/NGS inform you that you may be engaging in a prohibited transaction, YOU RELEASE AND GIVE UP ANY AND ALL CLAIMS AND RIGHTS WHICH YOU MAY HAVE AGAINST NGTC/NGS SHOULD YOU ENGAGE IN, APPEAR TO ENGAGE IN, OR BE ACCUSED OF ENGAGING IN, A PROHIBITED TRANSACTION UNDER THE IRS CODE. THIS RELEASES ALL CLAIMS, INCLUDING THOSE OF WHICH YOU ARE NOT AWARE AND THOSE NOT MENTIONED IN THIS RELEASE. NGTC/NGS HAS NO OBLIGATION TO PROVIDE A DEFENSE OR OTHERWISE INDEMNIFY YOU AGAINST ANY CLAIM, FINE, PENALTY, JUDGMENT OR SETTLEMENT RESULTING FROM A CLAIM RAISED UNDER THE IRS CODE AGAINST YOU.

   a. You understand and agree that NGTC/NGS does not review and approve the subscription agreement, operating agreement, by-laws, limited or general partnership agreement, or any other similar agreement regarding the purchase or operation of any entity or investment you want to invest in. You are solely responsible for making sure that the entity was not formed or will not operate in a way that does or may lead to a prohibited transaction under Internal Revenue Code Section 4975.

   b. You understand and agree that you are also solely responsible for making sure that the Retirement Plan has adequate funds for any future mandatory capital calls, and you indemnify and hold harmless NGTC/NGS, its officers, directors, shareholders and employees against any liability associated with a loss or diminution in value of your Retirement Plan's investment in the entity because of a failure to meet a future mandatory capital call.

   c. You understand and agree that NGTC/NGS has given you no tax advice regarding the possibility that your Retirement Plan may be subject to Unrelated Business Income Tax (UBIT) as a result of its investment in any entity or other investment. If your Retirement Plan owes UBIT on its investment in an entity, you agree to prepare or cause to be prepared IRS Form 990T for filing. You understand and agree that any UBIT owed must come from funds belonging to the Retirement Plan, and you indemnify and hold harmless NGTC/NGS, its officers, directors, shareholders and employees against any liability associated with a failure to prepare IRS Form 990T and pay any resulting UBIT due from funds belonging to the Retirement Plan. If UBIT is owed the IRA must get it's own EIN#.

   d. You represent that you have done your own due diligence on any company you want to invest in, or any other investment you want to make.

   e. You understand and agree that NGTC/NGS makes no attempt to evaluate any company you want to invest in. For example, NGTC/NGS makes no attempt to check the financial strength of the company, nor do we check with the Secretary of State to see if the company is in good standing, nor do we check with the Securities and Exchange Commission, the Better Business Bureau or any other governmental or non-governmental agency to see if any complaints have been filed against the company. You, as the Retirement Plan holder, are 100% responsible for evaluating any company and any investment.

   f. You understand and agree that neither NGTC/NGS nor any of its officers, directors, shareholders or employees are associated in any way with any company you may want to invest in. Neither NGTC/NGS nor any of its officers, directors, shareholders or employees have given you any investment, legal or tax advice pertaining to any investment.

   g. You agree to indemnify and hold harmless NGTC/NGS, its officers, directors, shareholders and employees against any liability associated with your Retirement Plan investment in any company, entity, or other investment.

3. **Consideration.** You acknowledge that unless you sign this release, NGTC/NGS will not accept you as a client, and you are free to seek the services of other firms. In consideration of you signing this release, NGTC/NGS will provide the services of our company and we will rely upon the promises in this release.
4. **Who is Bound.** You are bound by this Release. Anyone who succeeds to your rights and responsibilities, such as your heirs or the executor of your estate, is also bound. This Release is made for the benefit of NGTC/NGS and all who succeed to our rights and responsibilities.
5. **Signatures.** You understand and agree to the terms of this Release. If this Release is made by a corporation its proper corporate officers sign and its corporate seal is affixed.

This Release is given by: ______________________________ ______________________________
Signature of Client *Account Number*

NOTARY CERTIFICATION REQUIRED

STATE OF ______________________________

COUNTY OF ______________________________

I CERTIFY that on ______________________________ , 20__________ ,
personally came before me and acknowledged under oath, to my satisfaction, that this person (or if more than one person):
a) is named in and personally signed this document; and b) signed, sealed and delivered this document as his or her act and deed.

____
Signature of Notary

(Seal Here)

© Next Generation Trust Company 2019 Rev 8/19

Next Generation Trust Company
401 E. 8th Street, Suite 200H
Sioux Falls, South Dakota 57103
Toll Free: 888-857-8058

Credit Card Authorization Form

NEXT GENERATION
Trust Company
CONTROL YOUR FUTURE, TODAY

NEXT GENERATION SERVICES, LLC, 75 LIVINGSTON AVE. STE. 304, ROSELAND, NJ 07068 | P: (973) 533-1880 * F: (973) 533-1088

Personal Information:

Account Holder Name ______________________ Next Generation Account # __________

Cardholder Name *(if different)* ______________________

Cardholder Billing Address ______________________

City, State, Zip ______________________

Telephone Number ______________________ Email Address ______________________

Credit Card Information:

Card Type: *Please check ONLY ONE Option*

☐ MasterCard ☐ Discover ☐ Visa *Please Note: We cannot accept American Express. We apologize for any inconvenience this may cause.*

Credit Card Number: __________ / __________ / __________ / __________

Expiration Date: ______ / ______

CCV: __________
(Last three digits on back of card)

☐ Keep card on file for all fees (no invoice will be sent)

☐ One time charge in the amount of $ __________

Signature: *Please securely email, fax, or mail this form to Next Generation Services.*

I, the undersigned, authorize that these charges will appear on my credit card statement under the name Next Generation Trust Company and I accept full financial responsibility for payment of this order. I further agree that this authorization will remain in effect until I revoke it in writing.

Account Holder Signature: ______________________ Date: __________

© Next Generation Trust Company 2019 Rev 8/19

Next Generation Trust Company
401 E. 8th Street, Suite 200H
Sioux Falls, South Dakota 57103
Toll Free: 888-857-8058

Interested Party

NEXT GENERATION
Trust Company
CONTROL YOUR FUTURE, TODAY

NEXT GENERATION SERVICES, LLC, 75 LIVINGSTON AVE. STE. 304, ROSELAND, NJ 07068 | P: (973) 533-1880 * F: (973) 533-1088

Personal Information:

Account Holder Name:______________________ Next Generation Account #:__________

Interested Party Designation:

Please complete the information in this section to authorize a third party (spouse, broker, financial planner, attorney, etc) to receive information about your account. Please note that this section only authorizes a third party to have unlimited access to your account information, however they will not be permitted to make changes to your account. Please complete this section in full and submit to Next Generation Services by fax, mail, or secure email.

Name of Interested Party ______________________

Interested Party Address ______________________

City, State, Zip ______________________

Contact Number ______________________ Fax Number ______________________

Email Address ______________________

Please check ONE or BOTH Options: ☐ Please provide Interested Party online access ☐ Please send duplicate statements

Signature:

This Designation will remain in effect until Account Holder provides revocation in writing to Next Generation Trust Company (Custodian) or Next Generation Services (Administrator). I understand that neither the Custodian (Next Generation Trust Company) nor the Administrator (Next Generation Services) is a "fiduciary" for my account and/or my investment as such terms are defined in the IRC, ERISA and/or any applicable federal, state or local laws. I agree to release, indemnify, defend and hold the Custodian/Administrator harmless from any claims, including, but not limited to actions, liabilities, losses, penalties, fines, attorney's fees and/or third party claims arising out of and/or in connection with their reliance on this Designation. This indemnity and hold harmless provision shall survive any Termination of this Designation. In the event of claims by others related to my account and/or investment wherein Custodian and/or Administrator are named as a party, Custodian and/or Administrator shall have the full and unequivocal right at their sole discretion to select their own attorneys to represent them in such litigation and deduct from my account any amounts to pay for any costs and expenses, including, but not limited to, all attorney's fees and costs and internal costs (collectively "Litigation Costs") incurred by Custodian and/or Administrator. If there are insufficient funds in my account to cover the Litigation Costs incurred by Custodian and/or Administrator, on demand by Custodian and/or Administrator, I will promptly reimburse Custodian and/or Administrator the outstanding balance of the Litigation Costs. If I fail to promptly reimburse the Litigation Costs, Custodian and/or Administrator shall have the full and unequivocal right to freeze my assets, liquidate my assets, and/or initiate legal action in order to obtain full reimbursement of the Litigation Costs. I also understand and agree that the Custodian and/or Administrator will not be responsible to take any action should there be any default with regard to this investment. If any provision of this Designation is found to be illegal, invalid, void or unenforceable, such provision shall be severed and such illegality or invalidity shall not affect the remaining provisions, which shall remain in full force and effect.

Account Holder Signature: ______________________ Date: __________

© Next Generation Trust Company 2019 Rev 8/19

NEXT GENERATION TRUST COMPANY
401 E. 8TH STREET, SUITE 200H
SIOUX FALLS, SOUTH DAKOTA 57103
TOLL FREE: 888-857-8058

LIMITED POWER OF ATTORNEY FORM

NEXT GENERATION
TRUST COMPANY
CONTROL YOUR FUTURE, TODAY

NEXT GENERATION SERVICES, LLC, 75 LIVINGSTON AVE. STE. 304, ROSELAND, NJ 07068 | P: (973) 533-1880 * F: (973) 533-1088

PERSONAL INFORMATION:

Account Holder Name:______________________________ Next Generation Account #:__________

LIMITED POWER OF ATTORNEY:

Please complete the information in this section to authorize a third party to conduct all transactions (with the exceptions noted) in your account. **This designation may not be used to direct transfer or distributions, or to make changes to beneficiary designations.** This section applies **ONLY** to Next Generation TC forms and documents. Please complete this section in full and submit the notarized original to Next Generation Services at 75 Livingston Avenue, Suite 304, Roseland, NJ 07068.

Name of Attorney-In-Fact ______________________________

Attorney-In-Fact Address ______________________________

City, State, Zip ______________________________

Contact Number ______________________________ Fax Number ______________________________

Email Address ______________________________

Please check ONLY ONE Option: ☐ Please provide Attorney-In-Fact online access ☐ Please send duplicate statements

Signature of Attorney-In-Fact:______________________________

SIGNATURE: *Please mail this form to Next Generation Services.*

This Designation will remain in effect until Account Holder provides revocation in writing to Next Generation Trust Company (Custodian) or Next Generation Services (Administrator). I understand that neither the Custodian (Next Generation Trust Company) nor the Administrator (Next Generation Services) is a "fiduciary" for my account and/or my investment as such terms are defined in the IRC, ERISA and/or any applicable federal, state or local laws. I agree to release, indemnify, defend and hold the Custodian/Administrator harmless from any claims, including, but not limited to actions, liabilities, losses, penalties, fines, attorney's fees and/or third party claims arising out of and/or in connection with their reliance on this Designation. This indemnity and hold harmless provision shall survive any Termination of this Designation. In the event of claims by others related to my account and/or investment wherein Custodian and/or Administrator are named as a party, Custodian and/or Administrator shall have the full and unequivocal right at their sole discretion to select their own attorneys to represent them in such litigation and deduct from my account any amounts to pay for any costs and expenses, including, but not limited to, all attorney's fees and costs and internal costs (collectively "Litigation Costs") incurred by Custodian and/or Administrator. If there are insufficient funds in my account to cover the Litigation Costs incurred by Custodian and/or Administrator, on demand by Custodian and/or Administrator, I will promptly reimburse Custodian and/or Administrator the outstanding balance of the Litigation Costs. If I fail to promptly reimburse the Litigation Costs, Custodian and/or Administrator shall have the full and unequivocal right to freeze my assets, liquidate my assets, and/or initiate legal action in order to obtain full reimbursement of the Litigation Costs. I also understand and agree that the Custodian and/or Administrator will not be responsible to take any action should there be any default with regard to this investment. If any provision of this Designation is found to be illegal, invalid, void or unenforceable, such provision shall be severed and such illegality or invalidity shall not affect the remaining provisions, which shall remain in full force and effect.

Account Holder Signature: ______________________________ Date:__________

NOTARY CERTIFICATION REQUIRED

STATE OF ______________________________

COUNTY OF ______________________________

I CERTIFY that on ______________________________, 20__________,
personally came before me and acknowledged under oath, to my satisfaction, that this person (or if more than one person):
a) is named in and personally signed this document; and b) signed, sealed and delivered this document as his or her act and deed.

____
Signature of Notary

(Seal Here)

© Next Generation Trust Company 2019 Rev 8/19

NEXT GENERATION TRUST COMPANY
401 E. 8TH STREET, SUITE 200H
SIOUX FALLS, SOUTH DAKOTA 57103
TOLL FREE: 888-857-8058

TRANSFER FORM

NEXT GENERATION
TRUST COMPANY
CONTROL YOUR FUTURE, TODAY

NEXT GENERATION SERVICES, LLC, 75 LIVINGSTON AVE. STE. 304, ROSELAND, NJ 07068 | P: (973) 533-1880 * F: (973) 533-1088

Use this form to:

- *Move assets directly from one custodian to another custodian without personally initiating the movement.*
- *Do not use this form to make a direct rollover. Please use the Rollover Form.*

If you wish to liquidate any assets as part of your transfer to NGTC ensure that the liquidation process is completed PRIOR to completing this form. Transfer of your funds may be delayed if this step is not taken. Please note: Fees may apply from resigning custodian.

Please return this form to Next Generation Services, the Administrator of your plan. This form instructs the Custodian or Trustee of your current/resigning plan to transfer your assets to Next Generation Trust Company. Next Generation Services will arrange this transfer on your behalf.

PERSONAL INFORMATION:

Account Holder Name ______________________ Next Generation Account # __________

Legal Address *(required)* ______________________

City, State, Zip ______________________

Telephone Number ______________________ Social Security Number *(Required)* ☐☐☐–☐☐–☐☐☐☐

CURRENT CUSTODIAN/TRUSTEE: *Where your funds are currently. Express deliveries cannot be made to a PO Box.*

Name of Custodian/Trustee ______________________ Account Number __________

Office Address ______________________

City, State, Zip ______________________

Telephone Number ______________________ Contact Name __________

TYPE OF ACCOUNT TO BE TRANSFERRED/ELIGIBILITY: *Must transfer to the same type of account at Next Generation Trust Company.*

I am transferring **FROM** the following type of plan *(select one)*:

☐ Traditional ☐ Roth ☐ SEP ☐ Beneficiary IRA
☐ SIMPLE ☐ ESA ☐ HSA

I am transferring **TO** the following type of plan *(select one)*:

☐ Traditional ☐ Roth ☐ SEP ☐ Beneficiary IRA
☐ SIMPLE ☐ ESA ☐ HSA

I am an eligible person to perform this transaction *(select one)*:

☐ Non-spouse Beneficiary of Account ☐ Spouse Beneficiary of Account ☐ Coverdell Responsible Individual
☐ IRA Holder ☐ HSA Account Owner ☐ Ex-spouse

TYPE OF ASSET TO BE TRANSFERRED: *Indicate whether this is A. COMPLETE Transfer OR B. PARTIAL Transfer.*

If liquidation of assets is required, you must instruct your current Custodian to liquidate PRIOR to submitting this form. Next Generation Trust Company is not authorized to liquidate investments or assets on your behalf. ***All transfer forms MUST be accompanied by a current account statement from your current custodian.***

☐ **COMPLETE TRANSFER** to my IRA. Please check only one option below, indicating what assets you would like to transfer to your Next Generation Trust Company IRA.

- ☐ **Cash.** Please submit $ __________ *(required)* in cash to Next Generation Trust Company.
  Please make checks payable to: **Next Generation TC FBO (Client Name) IRA**
- ☐ **In Kind Asset Transfer & Cash.** For transfer of illiquid assets IN KIND (Real Estate, LLCs, Private Stock, Notes, etc.).
  Please note, re-registration fees may apply. Additional documentation **WILL** apply, though, so please contact a Next Generation representative.
  All vestings to read: **Next Generation TC FBO (Client Name) IRA**

☐ **PARTIAL TRANSFER** to my IRA. Please check all that apply below, indicating what assets you would like to transfer to your Next Generation Trust Company IRA.

- ☐ **Cash.** Please submit $ __________ *(required)* in cash to Next Generation Trust Company.
  Please make checks payable to: **Next Generation TC FBO (Client Name) IRA**
- ☐ **In Kind Asset Transfer.** For transfer of illiquid assets IN KIND (Real Estate, LLCs, Private Stock, Notes, etc.).
  Please note, re-registration fees may apply. Additional documentation **WILL** apply, though, so please contact a Next Generation representative.
  All vestings to read: **Next Generation TC FBO (Client Name) IRA**

Please see page two of this form for asset description and delivery instructions.

© Next Generation Trust Company 2019 Rev 8/19

Next Generation Trust Company
401 E. 8th Street, Suite 200H
Sioux Falls, South Dakota 57103
Toll Free: 888-857-8058

Transfer Form

NEXT GENERATION
Trust Company
CONTROL YOUR FUTURE, TODAY

NEXT GENERATION SERVICES, LLC, 75 LIVINGSTON AVE. STE. 304, ROSELAND, NJ 07068 | P: (973) 533-1880 * F: (973) 533-1088

Description of Assets to be Transferred: *Please attach additional delivery instructions if needed. Fees may apply from your resigning custodian.*

Asset Description	Amount ($)

Delivery Instructions: *Next Generation Services will attach instructions for resigning custodian.*

a. How would you like us to send this transfer request to your current resigning custodian? *(Please note, not all custodians accept faxed transfer forms.)*

☐ Mail ☐ Express Delivery ($30 fee) ☐ Fax (please provide number) ______________________

b. How would you like your cash sent from your current resigning custodian to Next Generation Trust Company?

☐ Mail/Check ☐ Electronic/Wire ($30 fee)

c. If you have selected express services above, how would you like to pay for those services? *(Fees are due at the time services are rendered.)*

☐ Check ☐ Credit Card ☐ Deduct from Account *(You must have cash available prior to transfer.)*

Signature and Acknowledgement: *This does not constitute a direct rollover.*

I hereby agree to the to the terms and conditions set forth in this Account Asset Transfer Authorization and acknowledge having established an account through the execution of the ______________________*(Type of IRA)* account application. I understand the rules and conditions applicable to an Account Transfer. I am authorized to request this transfer and instruct Next Generation Trust Company to execute such a transaction. I understand that employees/representatives of Next Generation Trust Company/Next Generation Services do not have authority to agree to anything other than what is contained in this Account Asset Transfer Authorization.

____
Account Holder Signature

____
Date

(Medallion Guarantee Stamp)

For Office Use Only:

Acceptance of Receiving Custodian

Pursuant to a limited written delegation, Next Generation Trust Company as Custodian ("Custodian"), has authorized Next Generation Services to sign this form on the Custodian's behalf to verify the Custodian's acceptance of the transfer described above and apply proceeds, upon their receipt, to the Account established by Next Generation Trust Company on your behalf. CUSTODIAN ASSUMES NO FIDUCIARY OR TRUST OBLIGATIONS TO YOU AS IT ONLY ACTS AS CUSTODIAN OF YOUR FUNDS WITH NO INVESTMENT CONTROL. Next Generation Services, on behalf of Custodian, Next Generation Trust Company.

______________________________ ______________________
Authorized Signatory *Date*

Account Number ______________________

Type of Account: ☐ Traditional ☐ Roth ☐ SEP ☐ SIMPLE ☐ ESA ☐ HSA ☐ Beneficiary IRA

© Next Generation Trust Company 2019 Rev 8/19

New Account Reminders

Acceptable forms of Identification

Acceptable Forms of Photo Identification Include:

Driver's License
Passport
Permanent Resident Card

Right of Recision Period

Right of Recision:

All clients have a seven day right of recision period from the date on their application. After this period is up and there are cleared funds in the account, a client is eligible to make an self-directed investment with their HSA at Next Generation.

Disclaimer

Disclaimer:

Next Generation Trust Company/Next Generation Services (NGTC/NGS) does not review the merits or legitamacy of any investment. NGTC/NGS does not endorse or recommend any companies, products, services, or investments. NGTC/NGS does not provide any financial, legal or investment advice.

If the services of NGTC/NGS were recommended by any third party, such persons or entities are not in any way affiliated with NGTC/NGS. NGTC/NGS is not a "fiduciary" as defined in the IRC. ERISA, and/or any applicable federal, state or local laws. All information provided is for educational purposes only. All parties are encouraged to consult with their professional advisors prior to making any investments.

Next Step:
Making A Self-Directed Investment

- ☐ After your account has been opened, the right of recision period is over, AND you have cleared funds in your account, you will be ready to make an investment.
- ☐ ***Clearing times:*** Wire (24 hours), ACH/Money Order/Certified Check (2 business days), Check (5 business days).
- ☐ All applicable forms are located on our website under the tab, "Client Forms."
- ☐ Since accounts are purely self-directed, please contact our office to discuss your investment, to get tips on avoiding prohibited transactions (§4975), and to ensure you complete the appropriate investment documents.
- ☐ For help filling out your investment documents, please call the office.

© Next Generation Trust Company 2019 Rev 8/19

Next Generation Trust Company
401 E. 8th Street, Suite 200H
Sioux Falls, South Dakota 57103
Toll Free: 888-857-8058

HSA
Health Savings
Custodial Account
(Under Section 223(a) of the Internal Revenue Code)

NEXT GENERATION
Trust Company
CONTROL YOUR FUTURE, TODAY

NEXT GENERATION SERVICES, LLC, 75 LIVINGSTON AVE. STE. 304, ROSELAND, NJ 07068 | P: (973) 533-1880 * F: (973) 533-1088

HEALTH SAVINGS ACCOUNT

Under §223(a) of the Internal Revenue Code

CUSTODIAL AGREEMENT AND DISCLOSURE STATEMENT

© Next Generation Trust Company 2019 Rev 8/19

Next Generation Trust Company
401 E. 8th Street, Suite 200H
Sioux Falls, South Dakota 57103
Toll Free: 888-857-8058

NEXT GENERATION
Trust Company
CONTROL YOUR FUTURE, TODAY

NEXT GENERATION SERVICES, LLC, 75 LIVINGSTON AVE. STE. 304, ROSELAND, NJ 07068 | P: (973) 533-1880 * F: (973) 533-1088

Form **5305-C**
(December 2011)
Department of the Treasury
Internal Revenue Service

HSA
Health Savings Custodial Account
(Under Section 223(a) of the Internal Revenue Code)

Do Not File
With the Internal
Revenue Service

Article I

1.01 The custodian will accept additional cash contributions for the tax year made by the account owner or on behalf of the account owner (by an employer, family member or any other person). No contributions will be accepted by the custodian for any account owner that exceeds the maximum amount for family coverage plus the catch-up contribution.

1.02 Contributions for any tax year may be made at any time before the deadline for filing the account owner's federal income tax return for that year (without extensions).

1.03 Rollover contributions from an HSA or an Archer Medical Savings Account (Archer MSA) (unless prohibited under this agreement) need not be in cash and are not subject to the maximum annual contribution limit set forth in Article II.

1.04 Qualified HSA distributions from a health flexible spending arrangement or health reimbursement arrangement must be completed in a trustee-to-trustee transfer and are not subject to the maximum annual contribution limit set forth in Article II.

1.05 Qualified HSA funding distributions from an individual retirement account must be completed in a trustee-to-trustee transfer and are subject to the maximum annual contribution limit set forth in Article II.

Article II

2.01 For calendar year 2011, the maximum annual contribution limit for an account owner with single coverage is $3,050. This amount increases to $3,100 in 2012. For calendar year 2011, the maximum annual contribution limit for an account owner with family coverage is $6,150. This amount increases to $6,250 in 2012. These limits are subject to cost-of-living adjustments after 2012.

2.02 Contributions to Archer MSAs or other HSAs count toward the maximum annual contribution limit to this HSA.

2.03 For calendar year 2009 and later years, an additional $1,000 catch-up contribution may be made for an account owner who is at least age 55 or older and not enrolled in Medicare.

2.04 Contributions in excess of the maximum annual contribution limit are subject to an excise tax. However, the catch-up contributions are not subject to an excise tax.

Article III

3.01 It is the responsibility of the account owner to determine whether contributions to this HSA have exceeded the maximum annual contribution limit described in Article II. If contributions to this HSA exceed the maximum annual contribution limit, the account owner shall notify the trustee that there exist excess contributions to the HSA. It is the responsibility of the account owner to request the withdrawal of the excess contribution and any net income attributable to such excess contribution.

Article IV

4.01 The account owner's interest in the balance in this custodial account is nonforfeitable.

Article V

5.01 No part of the custodial funds in this account may be invested in life insurance contracts or in collectibles as defined in section 408(m).

5.02 The assets of this account may not be commingled with other property except in a common trust fund or common investment fund.

5.03 Neither the account owner nor the custodian will engage in any prohibited transaction with respect to this account (such as borrowing or pledging the account or engaging in any other prohibited transaction as defined in section 4975).

Article VI

6.01 Distributions of funds from this HSA may be made upon the direction of the account owner.

6.02 Distributions from this HSA that are used exclusively to pay or reimburse qualified medical expenses of the account owner, his or her spouse, or dependents are tax-free. However, distributions that are not used for qualified medical expenses are included in the account owner's gross income and are subject to an additional 20 percent tax on that amount. The additional 20 percent tax does not apply if the distribution is made after the account owner's death, disability, or reaching age 65.

6.03 The custodian is not required to determine whether the distribution is for the payment or reimbursement of qualified medical expenses. Only the account owner is responsible for substantiating that the distribution is for qualified medical expenses and must maintain records sufficient to show, if required, that the distribution is tax-free.

Article VII

7.01 If the account owner dies before the entire interest in the account is distributed, the entire account will be disposed of as follows:

7.02 If the beneficiary is the account owner's spouse, the HSA will become the spouse's HSA as of the date of death.

7.03 If the beneficiary is not the account owner's spouse, the HSA will cease to be an HSA as of the date of death. If the beneficiary is the account owner's estate, the fair market value of the account as of the date of death is taxable on the account owner's final return. For other beneficiaries, the fair market value of the account is taxable to that person in the tax year that includes such date.

Article VIII

8.01 The account owner agrees to provide the custodian with information necessary for the custodian to prepare any report or return required by the IRS.

8.02 The custodian agrees to prepare and submit any report or return as prescribed by the IRS.

Article IX

9.01 Notwithstanding any other article that may be added or incorporated in this agreement, the provisions of Articles I through VIII and this sentence are controlling. Any additional article in this agreement that is inconsistent with section 223 or IRS published guidance will be void.

 © Next Generation Trust Company 2019 Rev 8/19

Article X

10.01 This agreement will be amended from time to time to comply with the provisions of the Code or IRS published guidance. Other amendments may be made with the consent of the persons whose signatures appear below.

Article XI-Trust Provisions

11.01 **Applicable Law:** This Custodial Agreement shall be governed by the laws of the state where the Trust resides.

11.02 **Annual Accounting:** The Custodian shall, at least annually, provide the Account Beneficiary or Designated Beneficiary (in the case of death) with an accounting of such Account Beneficiary's account. Such accounting shall be deemed to be accepted by the Account Beneficiary or Designated Beneficiary, if the Account Beneficiary or Designated Beneficiary does not object in writing within 60 days after the mailing of such accounting statement.

11.03 **Amendment:** The Account Beneficiary (or the Designated Beneficiary if the Account Beneficiary has died) irrevocably delegates to the Custodian the right and power to amend this Custodial Agreement. Except as hereafter provided, the Custodian will give the Account Beneficiary 30 days prior written notice of any amendment. In case of an amendment, including a retroactive amendment, required by law, the Custodian will provide written notice to the Account Beneficiary of the amendment within 30 days after the amendment is made, or if later, by the time that notice of the amendment is required to be given under regulations or other guidance provided by the IRS. The Account Beneficiary (or Designated Beneficiary, if applicable) shall be deemed to have consented to any such amendment unless the Account Beneficiary (or Designated Beneficiary) notifies the Custodian to the contrary within 30 days after notice to the Account Beneficiary or Designated Beneficiary and requests a distribution or transfer of the balance in the account.

11.04 **Resignation and Removal of Custodian:**

(a) The Custodian may resign and appoint a successor trustee or custodian to serve under this agreement or under another governing agreement selected by the successor trustee or custodian by giving the Depositor written notice at least 30 days prior to the effective date of such resignation and appointment, which notice shall also include or be provided under separate cover a copy of such other governing instrument, if applicable, and the related disclosure statement. The Depositor shall then have 30 days from the date of such notice to either request a distribution of the entire account balance or designate a different successor trustee or custodian and notify the Custodian of such designation. If the Depositor does not request distribution of the account balance or notify the Custodian of the designation of a different successor trustee or custodian within such 30 day period, the Depositor shall be deemed to have consented to the appointment of the successor trustee or custodian and the terms of any new governing instrument, and neither the Depositor nor the successor shall be required to execute any written document to complete the transfer of the account to the successor trustee or custodian. The successor trustee or custodian may rely on any information, including beneficiary designations, previously provided by the Depositor to the Custodian.

(b) The Depositor may at any time remove the Custodian and replace the Custodian with a successor trustee or custodian of the Depositor's choice by giving 30 days notice of such removal and replacement. The Custodian shall then deliver the assets of the account as directed by the Depositor. However, the Custodian may retain a portion of the assets of the HSA as a reserve for payment of any anticipated remaining fees and expenses, and shall pay over any remainder of this reserve to the successor trustee or custodian upon satisfaction of such fees and expenses.

(c) The Custodian may resign and demand that the Depositor appoint a successor trustee or custodian of this HSA by giving the Depositor written notice at least 30 days prior to the effective date of such resignation. The Depositor shall then have 30 days from the date of such notice to designate a successor trustee or custodian, notify the Custodian of the name and address of the successor trustee or custodian, and provide the Custodian with appropriate evidence that such successor has accepted the appointment and is qualified to serve as trustee or custodian of an HSA.

(1) If the Depositor designates a successor trustee or custodian and provides the Custodian evidence of the successor's acceptance of ap pointment and qualification within such 30-day period, the Custodian shall then deliver all of the assets held by the Custodian in the account (whether in cash or personal or real property, wherever located, and regardless of value) to the successor trustee or custodian.

(2) If the Depositor does not notify the Custodian of the appointment of a successor trustee or custodian within such 30 day period, then the Custodian may distribute all of the assets held by the Custodian in the account (whether in cash or personal or real property, wher ever located, and regardless of value) to the Depositor, outright and free of trust, and the Depositor shall be wholly responsible for the tax consequences of such distribution.

In either case, the Custodian may expend any assets in the account to pay expenses of transfer (including re-registering the assets and preparation of deeds, assignments, and other instruments of transfer or conveyance) to the successor trustee or custodian or the Depositor, as the case may be. In addition, the Custodian may retain a portion of the assets as a reserve for payment of any anticipated remaining fees and expenses. Upon satis faction of such fees and expenses, the Custodian shall pay over any remainder of the reserve to the successor trustee or custodian or to the Depositor, as the case may be.

11.05 **Custodian's Fees and Expenses:**

(a) The Account Beneficiary or Designated Beneficiary agrees to pay the Custodian any and all fees specified in the Custodian's current published fee schedule for establishing and maintaining this HSA, including any fees for distributions from, transfers from, and terminations of this HSA. The Custodian may change its fee schedule at any time by giving the Account Beneficiary or Designated Beneficiary 30 days prior written notice.

(b) The Account Beneficiary or Designated Beneficiary agrees to pay any expenses incurred by the Custodian in the performance of its duties in connection with the account. Such expenses include, but are not limited to, administrative expenses, such as legal and accounting fees, and any taxes of any kind whatsoever that may be levied or assessed with respect to such account.

(c) All such fees, taxes, and other administrative expenses charged to the account shall be collected either from the assets in the account or from any contributions to or distributions from such account if not paid by the Account Beneficiary or Designated Beneficiary, but the Account Beneficiary or Designated Beneficiary shall be responsible for any deficiency.

(d) In the event that for any reason the Custodian is not certain as to who is entitled to receive all or part of the Custodial Funds, the Custodian reserves the right to withhold any payment from the Custodial account, to request a court ruling to determine the disposition of the Custodial assets, and to charge the Custodial account for any expenses incurred in obtaining such legal determination.

11.06 **Withdrawal Requests**: All requests for withdrawal shall be in writing on a form provided by the Custodian. Such written notice must also contain the reason for the withdrawal and the method of distribution being requested. The Custodian, in its sole discretion, may permit payments from this HSA to be made directly to the health service provider as permitted on the form provided by the Custodian. However, any such payments made to any person other than the Account Beneficiary (or Designated Beneficiary, if applicable) shall be reported in accordance with IRS instructions to the Account Beneficiary or Designated Beneficiary, as appropriate. The Custodian also, in its sole discretion, may develop other administrative processes to effectuate payments from this HSA, including but not limited to, check writing privileges or debit cards.

11.07 **Responsibilities:** The Account Beneficiary agrees that all information and instructions given to the Custodian by the Account Beneficiary is complete and accurate and that the Custodian shall not be responsible for any incomplete or inaccurate information provided by the Account Beneficiary or Account

© Next Generation Trust Company 2019 Rev 8/19

Beneficiary's Designated Beneficiary(ies). The Account Beneficiary agrees to be responsible for all tax consequences arising from contributions to and distributions from this Custodial account and acknowledges that no tax advice has been provided by the Custodian. The Account Beneficiary also agrees to be responsible for determining his or her eligibility to participate in this HSA, including the amount and deductibility of HSA contributions to or for distributions from the HSA for Federal and/or state income tax purposes. The Account Beneficiary also agrees to be responsible for determining whether or not the health plan meets the requirements of a High Deductible Health Plan and whether any payments from the HSA are used for eligible medical expenses.

11.08 **Designated Beneficiary:** Except as may be otherwise required by State law, in the event of the Account Beneficiary's death, the balance in the account shall be paid to the beneficiary or beneficiaries designated by the Account Beneficiary on a beneficiary designation form acceptable to and filed with the Custodian. The Account Beneficiary may change the Account Beneficiary's beneficiary or beneficiaries at any time by filing a new beneficiary designation with the Custodian. If no beneficiary designation is in effect, if none of the named beneficiaries survive the Account Beneficiary, or if the Custodian cannot locate any of the named beneficiaries after reasonable search, any balance in the account will be payable to the Account Beneficiary's Spouse, and if the Spouse has predeceased the Account Beneficiary or the Account Beneficiary has no Spouse, the benefit will be payable to the Account Beneficiary's estate. If the Account Beneficiary's Designated Beneficiary is his or her spouse, the spouse may elect to treat this HSA as the spouse's own HSA. The term Account Beneficiary also includes the Designated Beneficiary, where appropriate, throughout this Agreement.

Article XII-Self-Directed HSA Provisions

12.01 **Investment of Contributions:** At the direction of the Account Beneficiary (or the direction of the designated beneficiary upon the Account Beneficiary's death), the Custodian shall invest all contributions to the account and earnings thereon in investments acceptable to the Custodian, which may include marketable securities traded on a recognized exchange or "over the counter" (excluding any securities issued by the Custodian), covered call options, certificates of deposit, and other investments to which the Custodian consents, in such amounts as are specifically selected and specified by the Account Beneficiary in orders to the Custodian in such form as may be acceptable to the Custodian, without any duty to diversify and without regard to whether such property is authorized by the laws of any jurisdiction as a trust investment. The Custodian shall be responsible for the execution of such orders and for maintaining adequate records thereof. However, if any such orders are not received as required, or, if received, are unclear in the opinion of the Custodian, all or a portion of the contribution may be held uninvested without liability for loss of income or appreciation, and without liability for interest pending receipt of such orders or clarification, or the contribution may be returned. The Custodian may, but need not, establish programs under which cash deposits in excess of a minimum set by it will be periodically and automatically invested in interest-bearing investment funds. The Custodian shall have no duty other than to follow the written investment directions of the Account Beneficiary, and shall be under no duty to question said instructions and shall not be liable for any investment losses sustained by the Account Beneficiary.

12.02 **Registration:** All assets of the account shall be registered in the name of the Custodian or of a suitable nominee. The same nominee may be used with respect to assets of other investors whether or not held under agreements similar to this one or in any capacity whatsoever. However, each Account Beneficiary's account shall be separate and distinct; a separate account therefore shall be maintained by the Custodian, and the assets thereof shall be held by the Custodian in individual or bulk segregation either in the Custodian's vaults or in depositories approved by the Securities and Exchange Commission under the Securities Exchange Act of 1934.

12.03 **Investment Advisor:** The Account Beneficiary may appoint an Investment Advisor, qualified under Section 3(38) of the Employee Retirement Income Security Act of 1974 (ERISA), to direct the investment of his HSA. The Account Beneficiary shall notify the Custodian in writing of any such appointment by providing the Custodian a copy of the instruments appointing the Investment Advisor and evidencing the Investment Advisor's acceptance of such appointment, an acknowledgment by the Investment Advisor that it is a fiduciary of the account, and a certificate evidencing the Investment Advisor's current registration under the Investment Advisor's Act of 1940. The Custodian shall comply with any investment directions furnished to it by the Investment Advisor, unless and until it receives written notification from the Account Beneficiary that the Investment Advisor's appointment has been terminated. The Custodian shall have no duty other than to follow the written investment directions of such Investment Advisor and shall be under no duty to question said instructions, and the Custodian shall not be liable for any investment losses sustained by the Account Beneficiary.

12.04 **No Investment Advice:** The Custodian does not assume any responsibility for rendering advice with respect to the investment and reinvestment of Account Beneficiary's account and shall not be liable for any loss which results from Account Beneficiary's exercise of control over his account. The Custodian and Account Beneficiary may specifically agree in writing that the Custodian shall render such advice, but the Account Beneficiary shall still have and exercise exclusive responsibility for control over the investment of the assets of his account, and the Custodian shall not have any duty to question his investment directives.

12.05 **Prohibited Transactions:** Notwithstanding anything contained herein to the contrary, the Custodian shall not lend any part of the corpus or income of the account to; pay any compensation for personal services rendered to the account to; make any part of its services available on a preferential basis to; acquire for the account any property, other than cash, from; or sell any property to, any Account Beneficiary, any member of a Account Beneficiary's family, or a corporation controlled by any Account Beneficiary through the ownership, directly or indirectly, of 50 percent or more of the total combined voting power of all classes of stock entitled to vote, or of 50 percent or more of the total value of shares of all classes of stock of such corporation.

12.06 **Unrelated Business Income Tax:** If the Account Beneficiary directs investment of the account in any investment which results in unrelated business taxable income, it shall be the responsibility of the Account Beneficiary to so advise the Custodian and to provide the Custodian with all information necessary to prepare and file any required returns or reports for the account. As the Custodian may deem necessary, and at the Account Beneficiary's expense, the Custodian may request a taxpayer identification number for the account, file any returns, reports, and applications for extension, and pay any taxes or estimated taxes owed with respect to the account. The Custodian may retain suitable accountants, attorneys, or other agents to assist it in performing such responsibilities.

12.07 **Disclosures and Voting:** The Custodian shall deliver, or cause to be executed and delivered, to Account Beneficiary all notices, prospectuses, financial statements, proxies and proxy soliciting materials relating to assets credited to the account. The Custodian shall not vote any shares of stock or take any other action, pursuant to such documents, with respect to such assets except upon receipt by the Custodian of adequate written instructions from Account Beneficiary.

12.08 **Miscellaneous Expenses:** In addition to those expenses set out in Article XI, section 11.05 of this plan, the Account Beneficiary agrees to pay any and all expenses incurred by the Custodian in connection with the investment of the account, including expenses of preparation and filing any returns and reports with regard to unrelated business income, including taxes and estimated taxes, as well as any transfer taxes incurred in connection with the investment or reinvestment of the assets of the account.

12.09 **Nonbank Custodian Provision:** If the Custodian is a nonbank Custodian, the Account Beneficiary shall substitute another trustee or custodian in place of the Custodian upon receipt of notice from the Commissioner of the Internal Revenue Service or his delegate that such substitution is required because the Custodian has failed to comply with the requirements of Income Tax Regulations Section 1.408-2(e), or is not keeping such records, making such returns, or

© Next Generation Trust Company 2019 Rev 8/19

rendering such statements as are required by applicable law, regulations, or other rulings. The successor trustee or custodian shall be a bank, insured credit union, or other person satisfactory to the Secretary of the Treasury pursuant to Section 408(a)(2) of the Code. Upon receipt by the Custodian of written acceptance by its successor of such successor's appointment, Custodian shall transfer and pay over to such successor the assets of the account (less amounts retained pursuant to Article XI, Section 11.04 of the Custodial Agreement) and all records (or copies thereof) of the Custodian pertaining thereto, provided that the successor trustee or custodian agrees not to dispose of any such records without the Custodian's consent.

Article XIII-Glossary of Terms

13.01 **Account Beneficiary:** The individual on whose behalf the HSA is established and who meets the definition of an Eligible Individual.

13.02 **Adoption Agreement:** The form furnished by the Custodian used to establish the HSA. The Adoption Agreement is deemed to be a part of this Custodial Agreement.

13.03 **Archer MSA or Medical Savings Account (MSA):** A medical savings account described in Section 220 IRC.

13.04 **Dependents:** Dependents include any individuals who receive over half of their support for the calendar year from the taxpayer as defined in Section 152 IRC.

13.05 **Designated Beneficiary:** The term "designated beneficiary" means the person or persons named by the Account Beneficiary as beneficiary of the account upon the death of the Account Beneficiary.

13.06 **Employer:** The Employer includes the Account Beneficiary's employer, the employer of the Account Beneficiary's spouse, a self-employed individual, or the spouse of a self-employed individual. All employers which are members of a controlled group under Section 414 are considered a single employer for purposes of these rules.

13.07 **Eligible Individual:** The term "eligible individual" means with respect to any month, any individual who:

(a) is covered under a high deductible health plan (HDHP) as of the first day of such month;
(b) is not also covered under any other health plan that is not a HDHP while being covered by the high deductible health plan;
(c) is not enrolled in Medicare; and
(d) cannot be claimed as a dependent on another person's income tax return.

The rule that requires that the eligible individual not be covered under any other health plan does not include:

(a) coverage for any benefit provided by "permitted insurance"; and
(b) coverage (whether through insurance or otherwise) for accidents, disability, dental care, vision care, or long-term care.

13.08 **Flexible Spending Arrangement (FSA):** A flexible spending plan described in Section 125 IRC.

13.09 **Health Reimbursement Arrangement (HRA):** A Health Reimbursement Arrangement described in Sections 105 or 106 IRC.

13.10 **Health Savings Account (HSA):** A health savings account described in Section 223 IRC.

13.11 **High Deductible Health Plan (HDHP):** Generally, an HDHP is a health plan that satisfies certain requirements with respect to deductibles and out-of-pocket expenses. In the case of self-only coverage, the High Deductible Health Plan's annual deductible cannot be less than $1,000, adjusted for COLAs. In the case of any other coverage (family coverage), the annual deductible cannot be less than $2,000, adjusted for COLAs.

The sum of the annual deductible and the other annual out-of-pocket expenses required to be paid under the plan (other than for premiums) for covered benefits may not exceed $5,000, adjusted for COLAs, for self-only coverage, and $10,000, adjusted for COLAs, for family coverage. In the case of family coverage, a plan is an HDHP only if, under the terms of the plan and without regard to which family member or members incur expenses, no amounts are payable from the HDHP until the family has incurred annual covered medical expenses in excess of the minimum annual deductible. A plan does not fail to be an HDHP merely because it does not have a deductible (or has a small deductible) for certain preventive care. Except for certain preventive care, a plan may not provide benefits for any year until the deductible for that year is met.

A High Deductible Health Plan shall not include a plan where substantially all of the coverage is for accidents, disability, dental care, vision care, or long-term care. Also a high deductible health plan shall not fail to be treated as an HDHP merely because the individual has coverage for any benefit provided by "permitted insurance". Permitted insurance is insurance under which substantially all of the coverage provided relates to liabilities incurred under workers' compensation laws, tort liabilities, liabilities relating to ownership or use of property (e.g., automobile insurance), insurance for a specified disease or illness, and insurance that pays a fixed amount per day (or other period) of hospitalization.

13.12 **IRC:** Refers to the Internal Revenue Code, as amended.

13.13 **Medical Care:** Medical Care includes amounts paid for the types of medical care described in Section 213(d) IRC.

13.14 **Permitted Insurance:** Permitted Insurance shall include the types of insurance described in Section 223(c)(3) IRC.

13.15 **Qualified Medical Expenses:** Qualified medical expenses include amounts paid with respect to the individual, the individual's spouse, and the individual's dependents, for medical care defined under Section 213(d) and such amounts are not compensated for by insurance or otherwise. Qualified Medical Expenses do not include any payment for insurance, except in the following cases:

(a) a health plan during any period of continuation coverage required under any Federal law;
(b) a qualified long-term care insurance contract (as defined in section 7702B(b));
(c) a health plan during a period in which the individual is receiving unemployment compensation under any Federal or State law; or
(d) in the case of an Account Beneficiary who has attained the age specified in section 1811 of the Social Security Act, any health insurance other than a Medicare supplemental policy (as defined in section 1882 of the Social Security Act).

13.16 **Custodial Account:** The term Custodial Account means the account established under the terms of this HSA Agreement.

13.17 **Custodian:** The Custodian shall be the financial organization identified on the Adoption Agreement and is approved by the IRS to serve as Custodian for Health Savings Accounts pursuant to Section 223(d)(1)(B) IRC.

Article XIV-Undirected Cash Balances

14.01 In the event that cash is received in my account from any source, including without limitation, contributions, transfers, rollovers or cash income from any investment in my account, for which the Custodian or Administrator have not received a written investment direction letter ("Undirected Cash"), you authorize the Custodian or Administrator to invest all Undirected Cash in non-interest bearing or interest bearing government guaranteed or insured investments or accounts, including Treasury securities and other government-guaranteed debt instruments and deposit accounts at banks insured by the Federal Deposit Insurance Corporation, including negotiable and non-negotiable time deposits, savings deposits and demand deposits. I acknowledge

© Next Generation Trust Company 2019 Rev 8/19

that government securities and negotiable time deposits may need to be liquidated in markets maintained by banks or registered broker-dealers at then-current market prices that may be less than the face amount of the instrument.

What's New

Additional Tax Increased. For tax years beginning after December 31, 2010, the additional tax on distributions not used for qualified medical expenses increases from 10% to 20%.

General Instructions

Section references are to the Internal Revenue Code.

Purpose of Form

Form 5305-C is a model custodial account agreement that has been approved by the IRS. An HSA is established after the form is fully executed by both the account owner and the custodian. The form can be completed at any time during the tax year. This account must be created in the United States for the exclusive benefit of the account owner.

Do not file Form 5305-C with the IRS. Instead, keep it with your records. For more information on HSAs, see Notice 2004-2, 2004-2 I.R.B. 269, Notice 2004-50, 2004-33 I.R.B. 196, Publication 969, Health Savings Accounts and Other Tax-Favored Health Plans, and other IRS published guidance.

Definitions

Identifying Number. The account owner's social security number will serve as the identification number of this HSA. For married persons, each spouse who is eligible to open an HSA and wants to contribute to an HSA must establish his or her own account. An employer identification number (EIN) is required for an HSA for which a return is filed to report unrelated business taxable income. An EIN is also required for a common fund created for HSAs.

High Deductible Health Plan (HDHP). For calendar year 2011, an HDHP for self-only coverage has a minimum annual deductible of $1,200 and an annual out-of-pocket maximum (deductibles, co-payments and other amounts, but not premiums) of $5,950. In 2012, the $1,200 minimum annual deductible remains the same and the annual out-of-pocket maximum increases to $6,050. For calendar year 2011, an HDHP for family coverage has a minimum annual deductible of $2,400 and an annual out-of-pocket maximum of $11,900. In 2012, the $2,400 minimum annual deductible remains the same and the annual out-of-pocket maximum increases to $12,100. These limits are subject to cost-of-living adjustments after 2012.

Self-only coverage and family coverage under an HDHP. Family coverage means coverage that is not self-only coverage.

Qualified medical expenses. Qualified medical expenses are amounts paid for medical care as defined in section 213(d) for the account owner, his or her spouse, or dependents (as defined in section 152) but only to the extent that such amounts are not compensated for by insurance or otherwise. With certain exceptions, health insurance premiums are not qualified medical expenses.

Custodian. A custodian of an HSA must be a bank, an insurance company, a person previously approved by the IRS to be a custodian of an individual retirement account (IRA) or Archer MSA, or any other person approved by the IRS.

Specific Instructions

Article XI. Article XI and any that follow it may incorporate additional provisions that are agreed to by the account owner and custodian. The additional provisions may include, for example, definitions, restrictions on rollover contributions from HSAs or Archer MSAs (requiring a rollover not later than 60 days after receipt of a distribution and limited to one rollover during a one-year period), investment powers, voting rights, exculpatory provisions, amendment and termination, removal of custodian, custodian's fees, state law requirements, treatment of excess contributions, distribution procedures (including frequency or minimum dollar amount), use of debit, credit, or stored-value cards, return of mistaken distributions, and descriptions of prohibited transactions. Attach additional pages if necessary.

© Next Generation Trust Company 2019 Rev 8/19

HSA DISCLOSURE STATEMENT

GENERAL REQUIREMENTS OF AN HSA

- Contributions must be made in cash, except for a rollover or transfer contribution from another HSA or Archer MSA and the Custodian accepts non-cash rollover or transfer contributions.
- For years prior to 2007, the annual regular contributions may not exceed the lesser of 100% of the annual deductible permitted under the Account Beneficiary's High Deductible Health Plan for such year or a specified dollar limit, subject to the monthly contribution limit explained later.
- For years beginning in 2007, the annual regular contributions may not exceed the specified dollar limit depending upon the HDHP's coverage (self-only or family), as adjusted for COLAs. These limits are explained later.
- Regular annual contributions for any taxable year may be deposited at any time during that taxable year and up to the due date for the filing of the Federal income tax return for that taxable year, no extensions. This generally means April 15th of the following year.
- The Custodian of an HSA must be a bank, insurance company or a person who is approved to act in such a capacity by the Secretary of the Treasury.
- No portion of the HSA funds may be invested in life insurance contracts.
- The interest in the HSA is nonforfeitable at all times.
- The assets in the HSA may not be commingled with other property except in a common trust fund or common investment fund.
- HSAs may not be invested in collectibles (as described in Section 408(m) of the Internal Revenue Code.) A collectible is defined as any work of art, rug or antique, metal or gem, stamp or coin, alcoholic beverage, or any other tangible personal property specified by the IRS. However, if the Custodian permits, specially minted US Gold and Silver bullion, coins and certain state-issued coins are permissible HSA investments.
- The assets of the HSA remain tax-exempt while the funds are in the Account.

WHO IS ELIGIBLE TO ESTABLISH AN HSA?

Regular contributions can be made to an HSA for any taxable year if the individual is an "Eligible Individual". The maximum contribution will be based on the number of months the individual is covered under a qualifying high deductible health plan (HDHP) and meets the definition of an eligible individual. The Account Beneficiary is responsible for determining whether he or she is an Eligible Individual, whether the health plan is an HDHP and the amount of the annual HSA contributions. The HSA custodian or trustee may, but is not required to, require proof or certification that the Account Beneficiary is an eligible individual, including that the individual is covered by a health plan that meets all of the requirements of an HDHP.

DEFINITIONS

Account Beneficiary
The Account Beneficiary is the individual on whose behalf the HSA is established and maintained. The Account Beneficiary must be an "eligible individual" in order to make HSA contributions.

Archer MSA
An Archer MSA is a Medical Savings Account described in section 220 of the Internal Revenue Code.

Designated Beneficiary
The person or persons named by the Account Beneficiary that will become entitled to the HSA balance upon the Account Beneficiary's death.

Employer
Employers include the individual's employer, the spouse's employer, a self-employed individual, or the spouse of a self-employed individual. Employers that are members of a controlled group under Section 414 are considered a single employer for purposes of these rules.

Eligible Individual
The term "Eligible Individual" means, with respect to any month, any individual who:

(a) is covered under a high deductible health plan (HDHP) as of the first day of such month;
(b) is not also covered under any other health plan that is not a high deductible health plan while being covered by the high deductible health plan;
(c) is not enrolled in Medicare; and
(d) cannot be claimed as a dependent on another person's income tax return.

The rule that requires that the employee not be covered under any other health plan does not include:

(a) coverage for any benefit provided by "permitted insurance" (See below for definition); and
(b) coverage (whether through insurance or otherwise) for accidents, disability, dental care, vision care, or long-term care.

High Deductible Health Plan (HDHP)
In the case of self-only coverage, the High Deductible Health Plan's annual deductible cannot be less than $1,000, adjusted for COLAs. In the case of any other coverage (family coverage), the annual deductible cannot be less than $2,000, adjusted for COLAs (see COLA chart below). The health plan's deductible cannot be less than:

	Self-only Coverage	Family Coverage
2009	$1,150	$2,300
2010	$1,200	$2,400
2011	$1,200	$2,400
2012	$1,200	$2,400
2013	$1,250	$2,500
2014	$1,250	$2,500
2015	$1,300	$2,600
2016	$1,300	$2,600
2017	$1,300	$2,600

© Next Generation Trust Company 2019 Rev 8/19

The sum of the annual deductible and the other annual out-of-pocket expenses required to be paid under the plan (other than for premiums) for covered benefits may not exceed $5,000, adjusted for COLAs, for self-only coverage, and $10,000, adjusted for COLAs, for family coverage (see COLA chart below). The maximum out-of-pocket cannot exceed:

	Self-only Coverage	Family Coverage
2009	$5,800	$11,600
2010	$5,950	$11,900
2011	$5,950	$11,900
2012	$6,050	$12,100
2013	$6,250	$12,500
2014	$6,350	$12,700
2015	$6,450	$12,900
2016	$6,550	$13,100
2017	$6,550	$13,100

In the case of family coverage, a plan is an HDHP only if, under the terms of the plan and without regard to which family member or members incur expenses, no amounts are payable from the HDHP until the family has incurred annual covered medical expenses in excess of the minimum annual deductible. A plan does not fail to be an HDHP merely because it does not have a deductible (or has a small deductible) for certain preventive care (see below). Except for certain preventive care, a plan may not provide benefits for any year until the deductible for that year is met.

A High Deductible Health Plan shall not include a plan where substantially all of the coverage is for accidents, disability, dental care, vision care, or long-term care. Also a high deductible health plan shall not fail to be treated as an HDHP merely because the individual has coverage for any benefit provided by "permitted insurance" (see below).

Generally, an HDHP cannot provide any benefits for any year until the deductible for that year is satisfied.

Permitted Insurance
Permitted insurance is insurance under which substantially all of the coverage provided relates to liabilities incurred under workers' compensation laws, tort liabilities, liabilities relating to ownership or use of property (e.g., automobile insurance), insurance for a specified disease or illness, and insurance that pays a fixed amount per day (or other period) of hospitalization.

Preventive Care Safe Harbor
IRS Notice 2004-23 provides a "safe harbor" for preventive care benefits allowed to be provided by a HDHP without satisfying the minimum deductible requirements. An HDHP may provide preventive care benefits without a deductible or with a deductible below the minimum annual deductible. Preventive care includes, but is not limited to, the following:

- Periodic health evaluations, including tests and diagnostic procedures ordered in connection with routine examinations, such as annual physicals.
- Routine prenatal and well-child care.
- Child and adult immunizations.
- Tobacco cessation programs.
- Obesity weight-loss programs.
- Screening services that are more fully described in the Appendix of Notice 2004-23

However, preventive care does not generally include any service or benefit intended to treat an existing illness, injury, or condition. Also, the determination of whether health care that is required by State law to be provided by an HDHP without regard to a deductible is "preventive" for purposes of the exception for preventive care under section 223(c)(2)(C) will be based on the standards set forth in Notice 2004-23 and other IRS guidance, rather than on how that care is characterized by State law.

Transitional Relief for Coverage Under HDHP and Separate Plan for Drug Benefits
IRS Revenue Ruling 2004-38 provides that if an individual is covered by both an HDHP that does not cover prescription drugs and by a separate prescription drug plan (or rider) that provides benefits before the minimum annual deductible of the HDHP has been satisfied, such individual is not eligible to establish an HSA and cannot make contributions to an HSA. The result is the same if the prescription drug benefit is provided as a benefit under a health plan (and not separately) or as a benefit for the individual under the spouse's plan.

If a separate prescription drug plan (or rider) does not provide benefits until the minimum annual deductible of the HDHP has been satisfied, or the drug plan is part of an HDHP and subject to the minimum annual deductible, the individual is an eligible individual for purposes of establishing and making contributions to an HSA.

Because of the short period between the enactment of HSAs and its effective date, many employers and health insurance providers have been unable to modify the benefits provided under their existing health plans to conform to the requirements of an HDHP. Consequently, the IRS provides transitional relief to this rule in Revenue Procedure 2004-22. For months before January 1, 2006, an individual who would otherwise be an "eligible individual", but is covered by a prescription drug benefit before the minimum annual deductible under the HDHP is satisfied, will continue to be an "eligible individual" and may make contributions to an HSA based on the annual deductible of the HDHP. This transitional relief expires on January 1, 2006.

Special Rules for Network Plans
In the case of a plan using a network of providers, special rules apply. A network plan is a plan that generally provides more favorable benefits for services provided by its network of providers than for services provided outside of the network. In the case of a plan using a network of providers, the plan does not fail to be an HDHP solely because the out-of-pocket expense limits for services provided outside of the network exceeds the maximum annual out-of-pocket expense limits allowed for an HDHP.

© Next Generation Trust Company 2019 Rev 8/19

Qualified Medical Expenses
Qualified medical expenses include amounts paid with respect to the Account Beneficiary, the Account Beneficiary's spouse, and the Account Beneficiary's dependents, for medical care defined under section 213(d) and such amounts are not compensated for by insurance or otherwise.

To be "qualified medical expenses", such expenses must be incurred only after the HSA has been established. However, IRS Notice 2004-25 provides a transitional rule for calendar year 2004 only. Under this transitional rule, eligible individuals who establish an HSA on or before April 15, 2005, may pay or reimburse on a tax-free basis an otherwise qualified medical expense if the qualified medical expense was incurred on or after the later of: (1) January 1, 2004, or (2) the first day of the first month that the individual became an eligible individual.

Generally, qualified medical expenses shall not include payment for insurance. Exceptions to this rule include any expense for coverage under:

(a) a health plan during any period of continuation coverage required under Federal law (COBRA);
(b) a qualified long-term care insurance contract (as defined in section 7702B(b) IRC); or
(c) a health plan during a period in which the individual is receiving unemployment compensation under any Federal or State law.

For individuals over age 65, premiums for the following health insurance may also be paid from the HSA:

(a) Medicare Part A
(b) Medicare Part B
(c) Medicare HMO
(d) Employee's share of employer-sponsored health insurance
(e) Employer-sponsored retiree health insurance

However, premiums for Medigap policies are not qualified medical expenses.

Medical Care
Amounts for medical care that can be paid from an HSA include:

(a) the diagnosis, cure, mitigation, treatment, or prevention of disease, or for the purpose of affecting any structure or function of the body;
(b) for transportation primarily for and essential to medical care referred to above; or
(c) Amounts paid for certain lodging while away from home primarily for and essential to medical care, if such medical care is provided by a physician in a licensed hospital or medical care facility and there is no significant element of personal pleasure, recreation, or vacation in the travel away from home. The amount is limited to $50 per night per individual.

The term medical care does not include cosmetic surgery.

Compensation
Compensation shall not include amounts paid to an HSA, if it is reasonable to believe that such contributions can be excludable from income under Section 106(b).

Spouse and Dependent
Dependent includes any of the following individuals who receive over half of their support for the calendar year from the taxpayer and is not being claimed as a dependent on another taxpayer's return:

(a) Son or daughter, or a descendent of either;
(b) Stepson or stepdaughter;
(c) Brother, sister, stepbrother, or stepsister;
(d) Father or mother, or ancestor of either;
(e) Stepfather or stepmother;
(f) Son or daughter of a brother or sister;
(g) Brother or sister of the father or mother;
(h) Son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law; or
(i) An individual (other than an individual who at any time during the year was the taxpayer's spouse) who, for the taxable year of the taxpayer, has as his/her principal place of residence, the home of the taxpayer and is a member of the taxpayer's household.

The terms brothers and sisters include half-blood relatives. A child shall include a legally adopted child, a child who is placed in the taxpayer's home by an authorized placement agency for legal adoption, a foster child.
A dependent does not include an individual who is not a citizen of the US or of a country contiguous to the US. This does not include a child who is legally adopted by a US taxpayer.

In December 2013, the IRS issued Notice 2014-1, which specifically addresses the definition of a spouse for the purposes of determining HSA contribution limits for tax years beginning in 2013 and forward. Beginning with the 2013 tax year, a same-sex married couple who are treated as married for federal tax purposes will be subject to the joint deduction limit for HSA contributions ($6,450 for 2013, $6,550 for 2014). If the combined contributions of each spouse for 2013 exceed the family coverage deduction limitation, the excess amount may be distributed from the HSAs of one or both spouses no later than their tax filing deadline. Any such excess contributions that remain undistributed as of the due date for the filing of the spouse's tax return (including extensions) will be subject to excise taxes under section 4973.

CONTRIBUTIONS

Source of Regular Contributions
Cash contributions can either be made by an eligible individual, by any other person on behalf of an eligible individual, or by the employer of an employee who is an

© Next Generation Trust Company 2019 Rev 8/19

eligible individual. Unlike Archer MSAs, contributions to an HSA can be made by any of the above during the same year. Contributions made by another person are treated as if made by the Account Beneficiary. Regular HSA contributions are contributions other than rollover contributions or transfers from another HSA or Archer MSA, a mistake of fact reimbursement, or a one-time transfer from an FSA or HRA that are treated as a rollover contribution explained later. HSA contributions must be reduced by aggregate contributions to an Archer MSA. The same annual contribution limit applies regardless of whether the contributions are made by the individual, the individual's employer or another person. If an individual has more than one HSA, the aggregate annual contributions to all of the individual's HSAs are subject to the limit. After an individual has enrolled in Medicare, further contributions, including catch-up contributions, are no longer allowed. The monthly limit for such individual beginning the first month such individual is enrolled in Medicare shall be zero.

Contribution limits for 2004 through 2006
The maximum annual cash contribution is the sum of the limits determined separately for each month that the Account Beneficiary is an eligible individual. The maximum monthly contribution is the lesser of 100% of the annual deductible under the qualifying HDHP, or the maximum dollar limit divided by twelve.

HSA Contribution Limits beginning for 2007
Beginning for contributions made for 2007 and thereafter, an eligible individual's annual HSA contribution limit is the specified maximum dollar limit, regardless of the health plan's deductible amount. This provision permits eligible individuals to make higher HSA contributions when the health plan's deductible amount is lower than the specified dollar limits.

Maximum Dollar Limit

Self-only Coverage	Family Coverage
For 2004, $2,250	For 2004, $4,500
For 2005, $2,650	For 2005, $5,250
For 2006, $2,700	For 2006, $5,450
For 2007, $2,850	For 2007, $5,650
For 2008, $2,900	For 2008, $5,800
For 2009, $3,000	For 2009, $5,950
For 2010, $3,050	For 2010, $6,150
For 2011, $3,050	For 2011, $6,150
For 2012, $3,100	For 2012, $6,250
For 2013, $3,250	For 2013, $6,450
For 2014, $3,300	For 2014, $6,550
For 2015, $3,350	For 2015, $6,650
For 2016, $3,350	For 2016, $6,750
For 2017, $3,400	For 2017, $6,750

These dollar limits are adjusted for cost-of-living increases, rounded to the nearest increment of $50.

Partial Year Coverage under Qualifying HDHP
Prior to 2007, an eligible individual's annual contribution limit was based upon the number of months during the year that the individual was actually covered under a qualifying high deductible health plan (HDHP). For example, if the individual began HDHP coverage on July 1st and the HDHP's deductible amount was $2,000, the individual's contribution limit for that year was $1,000 ($2,000/12 X 6 = $1,000). However, the HDHP's deductible amount was not prorated. Consequently, the eligible individual still had to reach the HDHP's $2,000 deductible before the health plan would pay any benefits.

Beginning for contributions made for 2007 and thereafter, if an eligible individual is covered under the HDHP during the last month of the year, the individual is eligible to make the full HSA contribution, depending upon the type of coverage under the HDHP (self-only or family). This provision, therefore, "deems" that the individual was covered under the HDHP for the entire year and thus permits the individual to make the full contribution regardless of the actual number of months he was covered under the HDHP.

For example, an individual becomes enrolled under his company's HDHP with self-only coverage in December 2012. His 2012 HSA contribution limit is $3,100 even though he was covered under the HDHP for only one month during 2012.

However, in order to use this rule, the individual must continue coverage under the HDHP during the "testing period". Otherwise, the amount contributed in excess of the amount that could have been contributed under the monthly-limitation rule is subject to tax, plus an additional tax equal to 10%. This tax applies for the year when the individual ceases to be eligible to make HSA contributions, except due to death or becoming disabled. The testing period begins the last month of the taxable year and ends on the last day of the 12th month following such month.

Prorating Still Applies in Some Cases
Prorating the contribution limit in accordance with the monthly-limitation rule still applies if the eligible individual does not remain covered under the HDHP for the entire year. For example, an eligible individual is covered under a qualifying HDHP with self-only coverage from January through June of 2012. This individual's contribution limit for 2012 is $1,550 ($3,100/12 X 6 = $1,550).

Catch-up Contributions
For the Account Beneficiary (and spouse who is covered under the HDHP) who reaches age 55 before the end of a taxable year, an additional cash contribution may be made each year as follows:

2004: $500
2005: $600
2006: $700

© Next Generation Trust Company 2019 Rev 8/19

2007: $800
2008: $900
2009 and thereafter: $1,000 (not subject to cost-of-living increases).

Catch-up contributions are also computed on a monthly basis. After an individual has enrolled in Medicare, further contributions, including catch-up contributions, are no longer allowed.

Annual HSA contributions must be made in cash (except as noted below) and may be made by an eligible individual, any other person on behalf of an eligible individual, or the employer of an eligible individual during any given year. Rollover and/or transfer contributions may be made in cash or in kind.

Qualified HSA Funding Distribution

Beginning for contributions made for 2007 and thereafter, a special one-time, tax-free transfer from an IRA to an HSA is permitted. This one-time transfer counts toward the eligible individual's HSA contribution limit for the year of the transfer.

Prior to 2007, if an IRA owner wanted to use the money in an IRA to make an annual HSA contribution, the distribution from the IRA was taxable and subject to the 10% additional tax if the individual was under the age of 59½. Prior law did not provide for a tax-free transfer from an IRA to an HSA.

Beginning for annual HSA contributions made for 2007 or thereafter, an HSA-eligible individual may make an irrevocable once-in-a-lifetime, tax-free "Qualified HSA Funding Distribution" from an IRA to an HSA, subject however to strict requirements. The amount of the HSA funding distribution must be made in the form of a trustee-to-trustee transfer from the IRA to the HSA. The amount of the transfer cannot exceed the maximum HSA contribution limit for the year that the amount is transferred. Consequently, this one-time transfer from an IRA to an HSA counts toward the individual's total HSA contribution limit for the year depending upon the type of coverage under the HDHP (self-only or family).

However, a special rule applies in the year of the initial transfer. If the individual has self-only coverage under the HDHP and makes a transfer under this rule from an IRA to an HSA, and then changes to family coverage under the HDHP in that same year, an additional transfer can be made to bring the individual up to the amount of the family coverage contribution limit, but must do so in the same year. Also, the IRA cannot be a SEP or SIMPLE.

This one-time transfer is different from the one-time transfer from an FSA or HRA discussed later. Whereas the FSA or HRA transfer does not count against the individual's HSA contribution limit for the year, a transfer from the individual's IRA does count toward the HSA contribution limit. Also, the amount transferred cannot be deducted as an HSA contribution because the amount transferred is not a taxable distribution from the IRA. Moreover, unlike the FSA or HRA transfers, there is no deadline to make this one-time transfer from an IRA to an HSA. The amount transferred from the IRA to the HSA will be treated as coming first from the taxable portion of the IRA. Thus, this will be an exception to the normal pro-rata taxation rules applicable to traditional IRAs.

However, if the individual ceases to be an HSA-eligible individual during the "testing period", the amount transferred is taxable and subject to the 10% additional tax if the individual is under the age of 59½ unless the individual dies or becomes disabled. For this purpose, the testing period begins with the month in which the qualified HSA funding distribution is contributed to an HSA and ends on the last day of the 12th month following such month.

Other General Rules

HSA contributions may be made regardless of whether the eligible individual has compensation. The HSA contribution limit is reduced by any contributions for the year to an Archer MSA. If the Account Beneficiary has more than one HSA, the aggregate of all contributions are subject to the contribution limit.

The taxpayer reports all contributions and distributions by submitting Form 8889 with his or her income tax return. If a penalty is due because of an excess contribution, Form 5329 must be completed in addition to Form 8889.

Married Individuals

Jointly-owned HSAs are not permitted. An HSA is established by or on behalf of an eligible individual.

In the case of eligible individuals who are married to each other, if either spouse has family coverage, both are treated as having family coverage. If each spouse has family coverage under a separate health plan, both spouses are treated as covered under the plan with the lowest deductible. The total contribution limit for the spouses is divided equally between the spouses, unless they agree on a different division. The family coverage limit is reduced by any contribution to an Archer MSA. However, both spouses may make the catch-up contributions for individuals age 55 or over without exceeding the family coverage limit. There is no formal method specified how a married couple agrees on a different division of the total contribution amount. If only one spouse is an eligible individual, only that spouse may contribute to an HSA.

Timing of HSA Contributions

HSA contributions must be made for a calendar year no later than the due date for filing the taxpayer's Federal income tax return for such calendar year, not including extensions. Contributions for the taxable year can be made in one or more payments. The maximum contribution may be made on the first day of the year.

Deduction Permitted If Contribution made by Eligible Individual or Another Individual

If an eligible individual makes a contribution to an HSA, or another individual makes a contribution on behalf of an eligible individual, an "above-the-line" deduction is permitted by the eligible individual for the taxable year equal to an amount which is the aggregate amount paid in cash during such taxable year to an HSA, subject to the contribution limit. However, if the HSA eligible individual makes the one-time, tax-free transfer from an IRA to fund the HSA for the year, no deduction is permitted with respect to the amount transferred. Contributions made by an employer within the contribution limits of the HSA are not deductible by the eligible individual, but rather treated as employer-provided coverage for medical expenses and are excluded from income. HSA contributions are deductible whether or not the eligible individual itemized deductions. An individual who may be claimed as a dependent on another person's tax return is not an eligible individual and may not deduct contributions to an HSA. HSA rules are applied without regard to community property laws.

© Next Generation Trust Company 2019 Rev 8/19

Employer Contributions to HSA
Employer contributions to an HSA are not included in the compensation of the employee. The employer treats the HSA contributions as employer-provided coverage for medical expenses under an accident or health plan. The employer must report the amount of the HSA contribution on the employee's W-2 Form in accordance with IRS instructions for that form. Employer contributions to an HSA are not subject to withholding from wages for income tax purposes or subject to FICA, FUTA or the Railroad Retirement Tax Act. Contributions to an employee's HSA through a cafeteria plan are treated as employer contributions. In this case, the employee cannot deduct employer HSA contributions on his or her Federal income tax return as HSA contributions or as medical expense deductions under section 213.

If the employer chooses to make HSA contributions, then the employer is required to make comparable HSA contributions for all participating employees (i.e., eligible employees with comparable coverage) during the same period. A comparable HSA employer contribution is (1) the same dollar amount or (2) the same percentage of the annual deductible under the high deductible health plan covering the employees divided into groups of "comparable coverage".
Comparable coverage can vary between self-only coverage, family coverage and part-time employees. A part-time employee means an employee who customarily works less than 30 hours per week. The comparability rule does not apply to amounts rolled over from an employee's HSA or Archer MSA, or to contributions made through a cafeteria plan.

If employer contributions do not comply with the comparability rule during a period, then the employer is subject to an excise tax equal to 35% of the aggregate amount contributed by the employer to HSAs for that period.

Employer Contributions to an Employee's HSA Do Not Constitute an "ERISA" Plan
The Labor Department's Employee Benefits Security Administration issued Field Assistance Bulletin No. 2004-01 that rules that HSAs generally will not constitute an employee welfare benefit plan for purposes of Title I of ERISA. As noted in the FAB, HSAs are personal health care savings vehicles rather than a form of group health insurance so long as the establishment of the HSA is completely voluntary on the part of the employee and the employer does not: (1) limit the ability of the eligible individual to move their funds to another HSA; (2) impose conditions on the utilization of HSA funds; (3) make or influence the investment decisions with respect to funds contributed to an HSA; (4) represent that the HSAs are an employee welfare benefit plan established or maintained by the employer; or (5) receive any payment or compensation in connection with the HSA.

EXCESS CONTRIBUTIONS

Generally an excess HSA contribution is any contribution made for a taxable year that exceeds the contribution limits, and such excess contribution is subject to a 6% excise tax on the principal amount of the excess each year until the excess is corrected. Excess HSA contributions are not deductible by the individual if made by or on behalf of the individual. Excess HSA contributions made by the individual's employer are included in the gross income of the employee.

Withdrawing Excess By Tax Filing Due Date - This 6% excise tax may be avoided, if the excess amount plus the earnings attributable to the excess are distributed by the individual's tax filing deadline including extensions for the year for which the excess contribution was made, and no deduction is taken for such excess amount. If the excess is corrected in this manner, the principal amount of the excess returned is not taxable; however, the earnings attributable to the excess are taxable in the year in which the distribution is received. Such earnings are also subject to the 20% additional tax unless another exception applies.

Excess contributions made for one taxable year can be carried over to subsequent years, in order of time, subject to the subsequent year's contribution limit. The 6% excise tax is applied each year on the uncorrected excess amount as of the end of each taxable year.

ROLLOVER HSAS

Rollover Contributions – Rollover contributions are permitted from another HSA or Archer MSA. A rollover from another HSA or Archer MSA is any amount received from one HSA or MSA and rolled over to an HSA. The entire amount received from the first HSA or MSA is not required to be rolled over. However, any amount not rolled over will be taxed at ordinary income tax rates for Federal income tax purposes, and may be subject to an additional 20% tax if the distribution does not meet one of the exceptions.

The following special rules also apply to rollovers between HSAs, or from an Archer MSA to an HSA:

- The rollover must be completed no later than the 60th day after the day the distribution was received.
- A total distribution is not required from the distributing HSA or MSA in order to make a rollover contribution into another HSA.
  If a rollover is made from an HSA or MSA to an HSA, another rollover cannot be made until 12 months has passed since the first rollover. If a second rollover is made before the 12-month period has expired, such subsequent rollover cannot be treated as a tax-free rollover, and thus will be considered a taxable distribution.

If an HSA is inherited by another person due to the death of the Account Beneficiary, no rollover is permitted unless the spouse of the decedent is the designated beneficiary.

Rollovers from any other type of account (such as IRAs, health reimbursement arrangements, or health flexible spending arrangements) to an HSA are not permitted.

One-Time Transfer from an FSA or HRA to an HSA
Unused amounts in a Health Flexible Spending Arrangement (FSA) are forfeited at the end of each year. Balances in Health Reimbursement Arrangements (HRAs) are amounts solely funded by the employer and employees do not contribute to the HRA.

Under the Tax Relief and Health Care Act of 2006, an HSA-eligible individual may make a one-time, tax-free transfer from an FSA or HRA to an HSA called a "qualified HSA distribution". The amount transferred is limited to the lesser of (1) the balance in the FSA or HRA on September 21, 2006; or (2) the balance in the FSA or HRA on the date

 © Next Generation Trust Company 2019 Rev 8/19

of the transfer. Also, this one-time transfer must be done on or before December 31, 2011.

The transferred amount is treated as a rollover contribution to the HSA and thus does not reduce the HSA-eligible individual's HSA contribution limit for the year of the transfer. The amount transferred from the FSA or HRA to the HSA must be made directly by the employer to the trustee or custodian of the HSA. This provision applies only to existing FSAs or HRAs on September 21, 2006. An FSA or HRA established after September 21, 2006, would have had a balance of zero on September 21, 2006, consequently having zero eligible to make this one-time transfer contribution.

If the HSA-eligible individual makes this one-time transfer from an FSA or HRA to an HSA, but then ceases to be an HSA-eligible individual at any time during the "testing period", the amount transferred will be taxed and subject to an additional 10% tax for the year the individual ceases to be HSA-eligible. This taxation does not apply if the individual dies or becomes disabled. For this purpose, the testing period begins with the month in which the qualified HSA distribution is transferred to the HSA and ends on the last day of the 12th month following such month. The amount transferred is treated as an employer contribution made to the employee's HSA, and therefore is not deductible by the employee.

TRANSFERS

A direct transfer of all or a portion of funds is permitted from this HSA to another HSA or from another HSA or MSA to this HSA. Transfers do not constitute a distribution since the funds are not treated as received. The monies are transferred directly to the new custodian or trustee. Direct transfers are not subject to the 60-day period or the 12-month rule described above under "Rollover HSAs".

If all or a portion of an HSA is transferred to a former spouse's HSA under a divorce decree (or under a written instrument incident to divorce) or separation instrument, the HSA Account Beneficiary will not be deemed to have made a taxable distribution, but merely a transfer. The portion so transferred will be treated at the time of the transfer as the HSA of the Account Beneficiary's spouse or former spouse.

Special rules apply to a one-time transfer from an FSA or HRA to an HSA. Such transfer is treated as a rollover as described under "Rollover HSAs."

Special rules apply to a one-time transfer from an IRA to an HSA. Such transfer is treated as a regular contribution for the year of the transfer as described earlier under "Contributions".

DISTRIBUTIONS

Distributions – In General

Distributions from an HSA are permitted at any time. The custodian or trustee may, in its own discretion, permit payments from this HSA through any of the following:

(a) Payments made directly to the Account Beneficiary;
(b) Payments made directly to the medical service provider;
(c) Check writing capabilities; or
(d) Debit, credit or stored-value cards.

The Account Beneficiary may request a distribution from the HSA as qualified medical expenses are incurred, or may periodically reimburse himself or herself from the HSA for qualified medical expenses that have been incurred and paid by the individual.

HSAs generally are not subject to withholding with the exception of the required withholding for certain expatriates. See IRS Form 8854.

Taxation of Distributions
Any amounts distributed from an HSA for qualified medical expenses of the Account Beneficiary, his or her spouse, or dependents are not included in the Account Beneficiary's gross income for the year and are not subject to any additional income tax. Amounts in an HSA can be used for qualified medical expenses and will be excludable from gross income even if the individual is not currently eligible for contributions to the HSA.

Any amounts distributed from an HSA that are not used to exclusively pay for qualified medical expenses of the Account Beneficiary, his or her spouse, or dependents are included in the gross income of the Account Beneficiary. Also, such distributions will be subject to an additional 20% income tax unless another exception applies.

Exceptions to the additional income tax include:

(a) Distributions due to the Account Beneficiary becoming disabled (defined under section 72(m)(7) IRC)
(b) Distributions made to the designated beneficiary(ies) upon the death of the Account Beneficiary.
(c) Distributions made to a taxpayer after such individual becomes eligible for Medicare. (The age specified in section 1811 of the Social Security Act. This is currently age 65.)
(d) Distributions from an HSA that are subsequently rolled over to another HSA within 60 days after the day of receipt of the distribution and meet the other requirements for a Rollover HSA.

Distributions are not required to begin at age 70½.

The Account Beneficiary is solely responsible for determining the taxability or non-taxability of any distribution from an HSA. IRS Form 8889 is filed by the taxpayer to report contributions to an HSA, distributions from an HSA, or an acquisition of interest in an HSA because of the death of the account beneficiary.

© Next Generation Trust Company 2019 Rev 8/19

Death of the Account Beneficiary
Upon the Account Beneficiary's death, any balance remaining in the HSA becomes the property of the designated beneficiary named in the HSA instrument as the designated beneficiary of the account.

If the Account Beneficiary designated his or her spouse as the designated beneficiary, the surviving spouse shall be automatically treated as the Account Beneficiary of the HSA after the original Account Beneficiary's death. This means that when the Account Beneficiary dies, if the surviving spouse is the designated beneficiary, then such account is assumed automatically by the surviving spouse as his or her own HSA and will then be treated as the Account Beneficiary for whom the HSA is maintained. The surviving spouse is subject to income tax only to the extent distributions from the HSA are not used for qualified medical expenses.

If any other person is the designated beneficiary, then the HSA ceases to be an HSA on the date of the Account Beneficiary's death. If the designated beneficiary is a non-spouse, the fair market value of the HSA on the date of death is includible in such non-spouse beneficiary's gross income for such taxable year. If the Account Beneficiary's estate is the designated beneficiary, then the fair market value of the HSA on the decedent's date of death is includible in the decedent's gross income on the last tax return filed on behalf of the decedent. For such a person (except the decedent's estate), the includable amount is reduced by any payments from the HSA made for the decedent's qualified medical expenses, if paid within one year after death.

An appropriate deduction is allowed under section 691(c) to any person (other than the decedent or the decedent's spouse) with respect to amounts included in gross income by such person.

Other Distributions
Distributions from an HSA that are not used to pay qualified medical expenses are included in gross income for the year and may also be subject to an additional 20% income tax unless the distribution is received due to death; disability; attaining age 65; a qualifying rollover distribution; or the timely withdrawal of the principal amount of an excess contribution.

Mistake of Fact Distributions
Distributions (or reimbursements) from an HSA may be returned if there was reasonable cause due to a mistake-of-fact for the Account Beneficiary to believe the expenses incurred were qualified medical expenses. If there is 'clear and convincing evidence', the Account Beneficiary may repay the distribution to the HSA no later than April 15 of the year following the year the Account Beneficiary knew (or should have known) that the expense was not a qualified medical expense. Amounts repaid under this circumstance are not included in gross income and are not subject to the additional income tax. Repayment amounts will also not be treated as new contributions or as a rollover.

Coordination of Medical Expense Deduction
For purposes of determining the amount of the medical expense deduction on the taxpayer's Federal income tax return under section 213, any payment or distribution from an HSA for qualified medical expenses shall not be treated as an expense paid for medical care. Tax-free HSA distributions used for qualified medical expenses reduce the taxpayer's medical expense deduction for Federal income tax purposes.

PROHIBITED TRANSACTIONS

If the Account Beneficiary or designated beneficiary engage in a prohibited transaction (as defined under Section 4975 of the Internal Revenue Code) with the HSA, it will lose its tax exemption and the value of the account is included in gross income for that taxable year. If any portion of an HSA is pledged as collateral for a loan, the amount so pledged will be treated as a distribution and will be included in gross income for that year.

PENALTIES

If a distribution is made for non-medical reasons from an HSA, an additional 20% income tax will apply on the taxable amount of the distribution unless another exception applies discussed earlier.

If an excess contribution is made to an HSA and it is not corrected on a timely basis, an excise tax of 6% is imposed on the excess amount. This tax will apply each year to any part or all of the excess that remains in the account.
IRS Form 5329 must be filed with the Internal Revenue Service for any year an additional tax is due.

FEDERAL ESTATE AND GIFT TAXES

Generally, there is no specific exclusion for HSAs under the Federal estate tax rules. Therefore, in the event of death, the HSA balance will be includible in the Account Beneficiary's gross estate for Federal estate tax purposes. However, if the surviving spouse is the beneficiary of the HSA, the amount in the HSA may qualify for the marital deduction available under Section 2056 of the Internal Revenue Code. A transfer of property for Federal gift tax purposes does not include an amount that a beneficiary receives from an HSA plan.

© Next Generation Trust Company 2019 Rev 8/19