

# Zero Value Packet

All investments involve an element of risk, and although we hope that your investments do well, it is an unfortunate truth that some will end up as total losses. When this happens, you will need to take a series of steps to assign a zero value to the asset and remove it from your account. Proceeding as such may seem inconvenient, but **you will alleviate your personal tax burden by doing so**. The distribution of a worthless asset will not incur taxes or penalties for you.

New Direction Trust Company will require the following items to initiate a zero valuation and distribute the asset:

- **Distribution/Notice of Withholding Form**  
Worthless assets don't simply disappear and we can't delete the asset from your account. The asset must be removed from the account via in-kind distribution (the withdrawal of an actual asset instead of cash).
- **Fair Market Valuation (FMV) Form**  
This form must be signed by both the valuator and the client.
- **Zero Valuation Request from the Client**  
The IRA holder must provide a letter requesting the asset's value be updated to zero. A sample version of the letter is included in this packet and needs to be filled out completely.
- **Proof of Zero Valuation**  
We require supporting documentation to complete a zero valuation. This can be the most difficult part of the process, as many times the managers or borrowers cannot be located or want nothing more to do with the asset. Below is a brief guide regarding supporting documentation:

Acceptable	Not Acceptable
<ul style="list-style-type: none"> <li>• A letter from a CPA or Attorney</li> <li>• A letter from a managing member on company letterhead</li> <li>• Any official court documents, including bankruptcy or criminal filings</li> </ul>	<ul style="list-style-type: none"> <li>• Schedule K-1s</li> <li>• Documents from the Secretary of State website</li> <li>• Newspaper or website clippings</li> <li>• Non- authorized signers (i.e. the janitor or landlord)</li> <li>• Electronic correspondence with the company (e-mail)</li> <li>• Personal research</li> <li>• Voicemails and text messages</li> </ul>

New Direction Trust Company knows this can be a trying and frustrating process and we will do all that we can to make it easier. Once we receive valid documentation, a ticket will be created in your account to affirm the initiation of the zero valuation process. From that point, we will **waive any fees for one year** while you gather the necessary documents. If the value change is not completed within one year, the process will need to be restarted and any waived fees will be charged. We will not distribute any account for non-payment of fees that is working toward a zero value.

Please ensure your contact information is up to date, as maintaining open communication will be critical. We need to know that you are working toward completing the zero valuation process. If we do not hear from you in a 90-day period, we will close the ticket and you will have to begin the process again.

#### Additional Notes

- **Bankruptcy Filing** - Bankruptcy does not mean that an investment is worthless. If a borrower or entity files for bankruptcy, it is possible that the IRA can still get something back. After being notified of the bankruptcy, you must list the IRA as a creditor. Also remember that any applicable paperwork must be signed by an authorized signer from New Direction Trust Company.
- **Lawsuits** - If you decide to take legal action against the borrower or entity on behalf of your IRA, it is your responsibility to select an attorney. It is very important that the attorney understand that he or she is representing the IRA and not the IRA holder. It is also important to remember that all legal costs must be paid through the IRA.
- **Roth IRA** - If the investment in question was made with a Roth IRA, you have the option of distributing all of your Roth accounts and writing off the loss. Please consult your CPA or tax advisor for details.
- **Earnings After Distribution** - If income is received after the asset has been distributed, it is the IRA holder's responsibility to report the earnings as personal income.
- **Notes with a Zero Value** - Once you obtain documentation to verify that a note is uncollectible and therefore worth nothing to the IRA, a Form 1099-C will be prepared for the borrower. The entire value of the note will be designated as income received by your borrower, who will consequently inherit the tax burden.

# Fair Market Valuation Form

Please refer to the accompanying form instructions. Valuations must be completed by an independent, neutral, qualified third party.

## 1. YOUR INFORMATION (REQUIRED)

Your Name:

New Direction Account Number:

## 2. ASSET INFORMATION (REQUIRED) (Note: A separate form is needed for each asset in your account.)

The asset in my account is:

Name of Asset:

The total value of the Asset is \$ \_\_\_\_\_ as of December 31, 2018.

My percentage of ownership is \_\_\_\_\_%. The value of my percentage of the Asset is \$ \_\_\_\_\_ as of December 31, 2018.

I have attached \_\_\_\_\_ as supporting documentation (required). \_\_\_\_\_ pages are attached.

## 3. VALUATOR INFORMATION (REQUIRED)

My valuator's name is \_\_\_\_\_ and he/she is a (check the box that applies):

CPA  Manager  Real Estate Professional  Other: \_\_\_\_\_

**SIGNATURE REQUIRED** (Unsigned forms will be returned to the account holder to obtain valuator's signature prior to processing.)

### Valuator's Signature

I certify that I am qualified to give an independent valuation/appraisal for this particular asset. I understand that this valuation/appraisal will be used for reporting purposes to the Internal Revenue Service. I understand that any false or misleading valuation/appraisal of any assets may result in penalties and fines for both the valuator/appraiser and the account owner.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

## 4. ACCOUNT HOLDER'S SIGNATURE (REQUIRED) (Unsigned forms will be returned to the account holder for signature prior to processing)

### Account Holder's Signature

I certify that I am the owner of the above referenced account and that in that capacity I have retained the services of the individual listed to prepare, present, and attest to the value of the asset contained. I further certify that the information contained herein is true and accurate to the best of my knowledge.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

# Distribution/Notice of Withholding Form

Complete this form to request a distribution from your *New Direction Trust Company* IRA. Requests will be processed within 3 business days. If you have questions, call 877-742-1270.

## 1. REGISTRATION (PLEASE PRINT)

Account holder's name (first, middle, and last)

Account Number

Social Security Number

Date of birth (mm/dd/yyyy)

## 2. CHANGE OF ADDRESS

\* Complete this section only if requesting the distribution to be sent to an address other than the address on record or if the address on record has recently been changed.

**Check one:**

**One-time:** The address provided should only be used for this transaction

**Change of address:** My address has permanently changed to the address listed below. By checking this box, I authorize New Direction Trust Company to update the address on all my NDTCO accounts, and I acknowledge that all future correspondence will be sent to the new address listed below.

All distributions being sent to an address that has been changed within the past 15 days (whether updated using the Distribution Form or the Change of Address Form), will require your signature to be Medallion Signature Guaranteed in Section 9 of this form.

U.S. residential street address (cannot be a PO Box or mail drop)

City

State

ZIP

Email address

Cell phone

Home phone

If your mailing address is not the same as the residential address listed above, please provide your mailing address.

U.S. mailing address (if different than residential address above)

City

State

ZIP

## 3. REASON FOR DISTRIBUTION

IRA distributions may have possible tax consequences and rollover limitations. Consult your tax advisor for information about possible taxes, penalties, and the IRA One-Rollover-Per-Year rule.

**Premature Distribution:** (if you are the account owner, under age 59½, and not disabled; you may be subject to an early withdrawal penalty)  
*Note: If this is a SIMPLE IRA and the distribution is within the two-year period in which you first participated in your employer's SIMPLE IRA plan, you may be subject to a 25% premature distribution penalty.*

**Normal Distribution:** (if you are the account owner and age 59½ or older)

**Permanent Disability:** (if you are the account owner and disabled under Section 72(m)(7) of the Internal Revenue Code)

**Excess Contribution:** Is the excess contribution being removed prior to your tax return due date (including extensions)?  Yes  No  
Year of excess contribution \_\_\_\_\_ Amount of excess contribution: \$ \_\_\_\_\_ Amount of earnings attributable to excess: \$ \_\_\_\_\_  
*Note: NDTCO does not provide calculations for earnings attributable to removal of excess.*

**Distribution from an Inherited IRA** (must have completed an Inherited IRA Election Form)

**Recharacterization:** Date of conversion/contribution \_\_\_\_\_ Amount of recharacterization and attributable earnings \$ \_\_\_\_\_  
*Note: NDTCO does not provide calculations for earnings attributable to a recharacterization.*

**Required Minimum Distribution**  
*Note: NDTCO does not provide calculations for RMD.*

**Rollover Distribution** (Letter of Acceptance required)

**HSA Distribution**  
*Note: Withholding election is not permitted.*

# Distribution/Notice of Withholding Form

## 4. DISTRIBUTION TYPE

If the cash balance in the account does not cover the amount requested plus applicable fees, the distribution will be for the amount requested less applicable fees.

**Cash Distribution \***     **Specific Amount \$** \_\_\_\_\_ **OR**     **All Available Cash**

**In-Kind Distribution \***

Please submit a completed Fair Market Value Form and supporting documents along with your distribution request. Real estate distributions require an appraisal within one year. For precious metals, current market value will be used.

Name of Asset: \_\_\_\_\_ Quantity: \_\_\_\_\_

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Name of Asset: \_\_\_\_\_ Quantity: \_\_\_\_\_

**\*Full distribution requests will result in account closure.**

## 5. PAYMENT FREQUENCY

If a payment frequency is not selected, your distribution will be processed as a one-time request.

**One-time Distribution** processed upon receipt    **OR**

**Recurring Distribution**

Note: If a recurring distribution is selected, you **MUST** select both a recurring and distribution option.

**Recurring Option:**

Monthly     Quarterly     Annually

Specify month to begin: \_\_\_\_\_

Choose day of the month:     1st     15th

**Distribution Option:**

Only distribute recurring distributions if full amount requested in Section 4 is available. If elected, funds must be available within 5 business days of payment date.

Distribute recurring distribution if \_\_\_\_\_% of full amount requested in Section 4 is available in cash.

## 6. PAYMENT METHOD

Include a preprinted, voided check for the electronic funds transfer (EFT) or wire payment method to ensure accurate bank account information.

*Note: Checks must be preprinted with your name and address. We cannot accept starter or counter checks.*

**A Medallion Signature Guarantee** may be required to process your request. **Refer to Section 9 of this form to determine if a Medallion Signature Guarantee is required.**

Choose one:

I would like this distribution to be paid to me by check and sent to the mailing address on file or new address listed in Section 2 of this form.

I would like this distribution to be sent via EFT to the bank account indicated on the attached preprinted, voided check. The proceeds will normally arrive at my bank within three banking days.

ABA # \_\_\_\_\_ Account # \_\_\_\_\_

I would like a one-time distribution to be paid by wire transfer. Wire instructions must be included along with Distribution Form.

I would like this in-kind distribution to be sent to my residence at the address on file, or as noted in Section 2.

# Distribution/Notice of Withholding Form

## 7. TAX WITHHOLDING

\* Section not available for excess contribution, recharacterization, and HSA accounts.

### Federal Tax

Choose one (if no box is selected, we will not withhold any funds):

- Do **not** withhold federal income tax from my distribution
- I elect to have \_\_\_\_\_% federal income tax withheld from my distribution (**must be 10% or greater**)
- In addition to the above percentage, I elect to have \$ \_\_\_\_\_ federal income tax withheld from my distribution  
(Additional specific dollar withholding is only available on one-time distributions.)

### State Tax (please review carefully, as not all states are eligible for withholding)

Residents of Iowa, Kansas, Maine, Massachusetts, Nebraska, and Oklahoma	If federal tax is withheld, state tax withholding is mandatory. NDTCO will automatically withhold the minimum required by your state unless you specify a higher amount below.
Residents of Arkansas, California, Delaware, Michigan, North Carolina, Oregon, and Vermont	If federal tax is withheld, state tax withholding is mandatory unless you specifically elect not to have state tax withheld. NDTCO will automatically withhold the minimum required by your state unless you either check the Don't Withhold box or specify a higher amount below.
Residents of Mississippi	If federal tax is withheld, state tax withholding is mandatory if your distribution is subject to the federal early withdrawal penalty. NDTCO will automatically withhold the minimum required by your state unless you specify a higher amount below.
Residents of all other states	If you aren't a resident of a state listed above, state tax withholding isn't available for you at this time.

Choose one:

- Do not withhold state income tax from my distribution
- Withhold my state's minimum requirement
- Withhold this amount (must meet your state's minimum requirement) \$ \_\_\_\_\_

*Note: We encourage you to consult your accountant or tax advisor regarding your IRA distributions. Even if you elect not to have federal income tax withheld, you are liable for payment of federal income tax on the taxable portion of your distribution. You may be subject to tax penalties under the estimated tax payment rules if your payments of estimated tax and withholding are not adequate.*

# Distribution/Notice of Withholding Form

## 8. HOW WOULD YOU LIKE TO PAY FOR THE TRANSACTION? (All fees are due at time of transaction.)

Choose One:

Your Account

Credit Card

Credit Card Type: (the following are accepted)  Visa  MasterCard  Discover

Card Number: \_\_\_\_\_ 3 Digit Security Code: \_\_\_\_\_ Exp. Date: \_\_\_\_\_

Exact Name on Card: \_\_\_\_\_ Signature: \_\_\_\_\_

### Transfers Out, Partial Distribution or Full Distribution:

0.5% of the value

- Minimum of \$75 (Full Distribution/ Transfer Out)
- Maximum fee of \$250 (Partial and Full Distribution/Transfer Out)

Plus Movement of Funds Fees and/or Transaction Fees as they may apply

Required Minimum Distributions are only subject to Movement of Funds Fees and/or Transaction Fees

### Movement of Funds Fees: Due when money moves from your IRA.

\$5 - ACH Transfer, Trust Check

\$25 - Cashier's or Other Official Bank Check

\$30 - Overnight Mail

\$30 - Wire Transfer

\$40 - Foreign Wire Transfers

\$10 - Void Check Fee

\$30 - Returned Item or Stop Payment Request

## 9. SIGNATURE

To complete this distribution request, you must sign and date here. A Medallion Guarantee may be required.

I authorize *New Direction Trust Company* to process the distribution from the account indicated in Section 1 of this form. I further understand that I am responsible for any tax consequences that may result from the election I have made.

**Medallion Guarantee\*\*** (if applicable)

\_\_\_\_\_  
Signature of account holder

\_\_\_\_\_  
Print name

\_\_\_\_\_  
Date

HAVE YOUR SIGNATURE MEDALLION GUARANTEED FOR ANY DISTRIBUTION THAT IS:

\* Sent to a new address that has not been on file for 15 days

\* Sent to a bank account if you are not a registered owner of the bank account

**\*\* A Medallion Signature Guarantee** may be obtained from any eligible guarantor institution, as defined by the Securities and Exchange Commission. These institutions include banks, savings associations, credit unions, and brokerage firms that participate in the Medallion Program. The bar-coded stamp with the words "**MEDALLION GUARANTEED**" must be stamped near **each** signature being guaranteed. The guarantee must appear with the name of the guarantor institution and the signature of an individual authorized on behalf of the guarantor institution. **Note that a notary public stamp or seal is not acceptable.**

# SAMPLE ZERO VALUATION REQUEST

Dear New Direction Trust Company,

I am requesting that the value of the asset \_\_\_\_\_, held in my IRA account, be updated to zero.

I believe that my asset is of zero value because of the following reasons:

***(Please provide complete explanation and include additional pages if necessary)***

Sincerely,

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