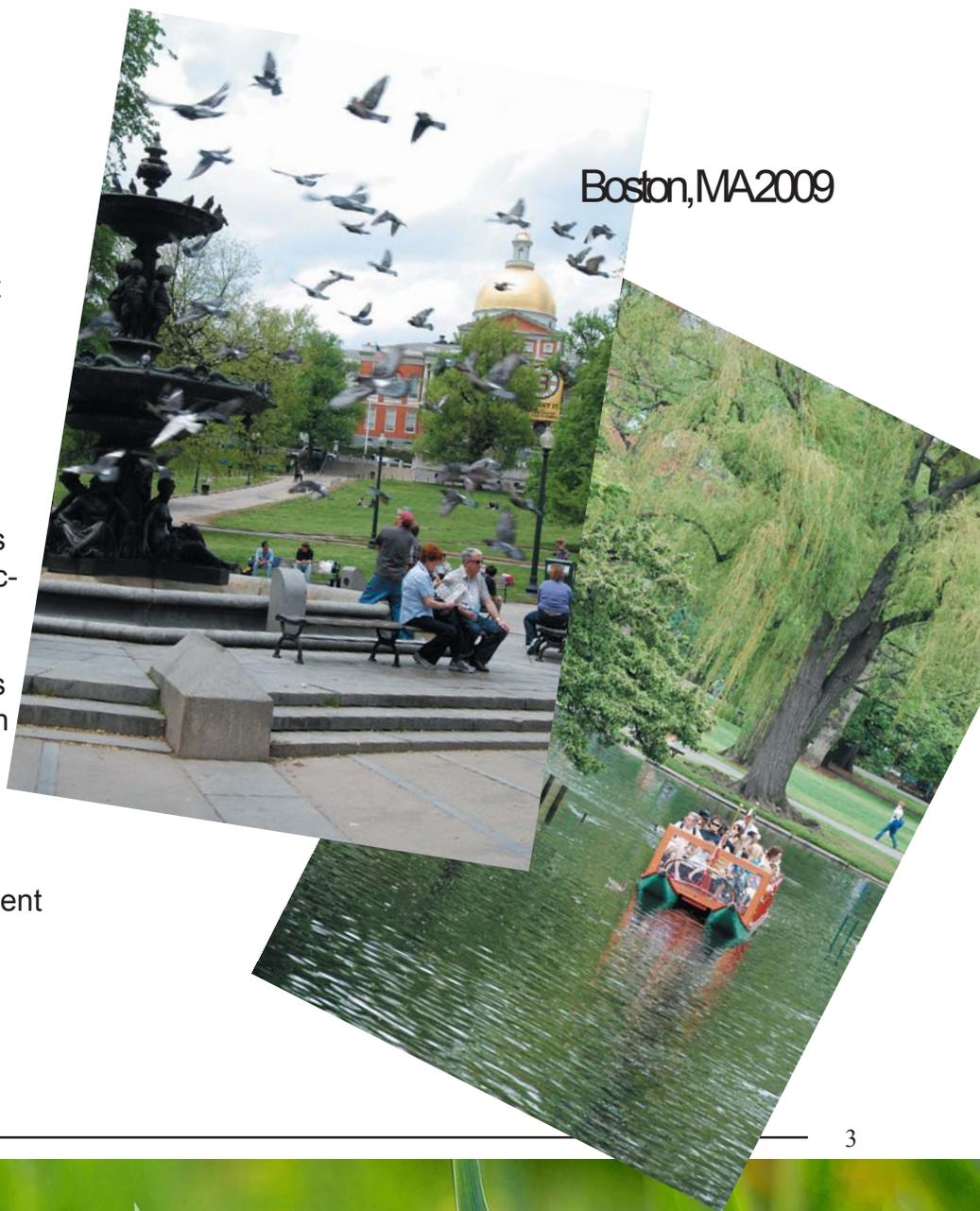


# American Growth Fund, Inc.

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Boston, MA 2009



## Your American Growth Fund

American Growth Fund, Inc. is a diversified, open-end investment company with the goal of providing the most professional form of investment management attainable. We are committed to helping serious long-term investors achieve and maintain their financial independence.

We believe we can accomplish our goal by being fully committed to your success and by making investing with us as simple and convenient as possible.

For over half of a century we have served our shareowners. We have demonstrated our ability to manage their money through periods of economic expansion and contraction, through years of political tensions and armed conflicts, through times of vast social and technological changes, and through an era of increasingly complex securities markets.

We believe American Growth Fund, Inc. should be the preferred investment of choice for those investors who seek to have serious, conservative professional portfolio management; long-term investors should invest in a serious manner which takes advantage of opportunities, yet helps safeguard their valuable investment capital against loss. American Growth Fund Inc.'s investment approach, which emphasizes anticipation of change and awareness of risks, is designed to help you make your financial independence a reality. Of course there can be no guarantee that the future results will be as rewarding as the past, and an investor's account may be worth more or less than their original investment. However, we look forward to the future with unbridled enthusiasm, for we feel investing can once again be a rewarding enjoyable experience.

## Is American Growth Fund a good investment for my retirement plan?

American Growth Fund, Inc. is an excellent vehicle for your individual retirement plan (whether it is a traditional IRA, a Roth IRA, a SIMPLE IRA, or a SEP-IRA) and for education savings plans.

American Growth Fund, Inc. does more than focus only on a narrow field (such as picking stocks, or bonds, or cash instruments). When you invest in American Growth Fund, Inc. shares, you become a shareowner of a professionally managed investment company. As a professionally managed investment company, American Growth Fund, Inc. fully manages your money by performing these four important functions:

- Changing the proportions of stocks, bonds, or cash held within the Fund, as times and conditions change.
- Providing selective diversification by investing in several different companies in various industries.
- Carefully selecting the securities the Fund invests in.
- Continuously supervising each investment after it is made.

American Growth Fund, Inc.  
1636 Logan Street  
Denver, Colorado 80203  
888-742-0631 303-626-0631  
[www.americangrowthfund.com](http://www.americangrowthfund.com)

As always, please read the Fund's prospectus before investing.

*Please Note: This booklet was prepared in accordance with the Internal Revenue Code in effect at the time the booklet was printed; it is suggested, therefore, that the Participant obtain Internal Revenue Service Publication 590 or consult with a competent tax advisor for changes in the Code which may affect his or her retirement plan.*

## Traditional IRA

### Why an IRA should be included in your retirement planning. The benefits of tax deferral are working for you

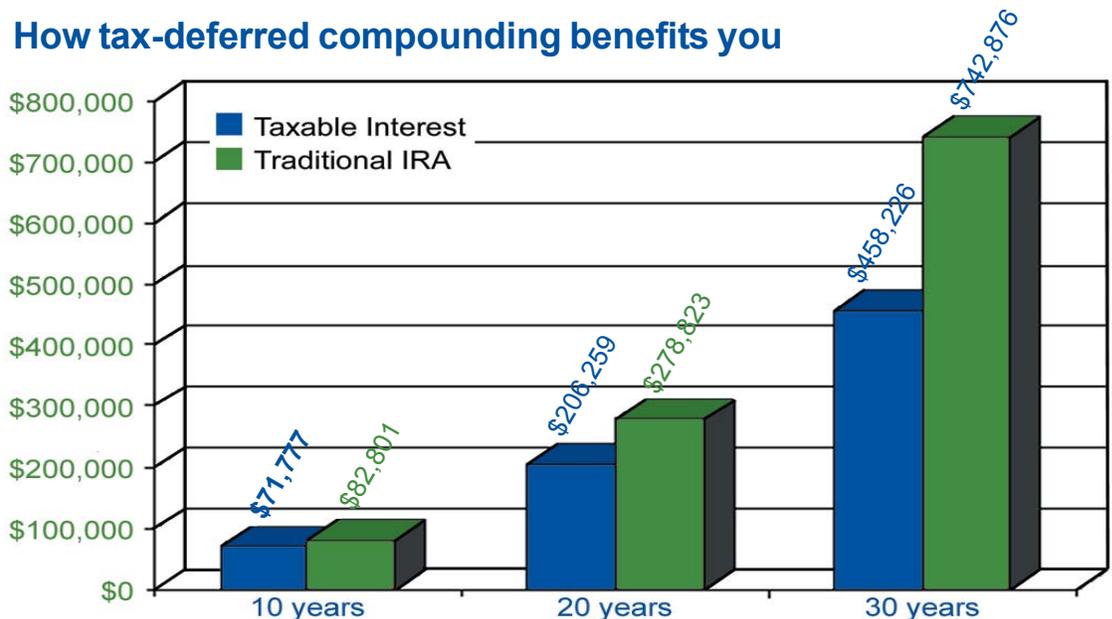
Your IRA retirement account grows tax-free until you commence withdrawals under the traditional IRA.

Under the Roth IRA, not only does your IRA retirement account grow tax-free, but, when you commence withdrawals these also are free of taxation.

### Works with other retirement savings plans

Together with Social Security and any employer sponsored retirement plans, an IRA is an ideal vehicle for additional retirement savings.

### How tax-deferred compounding benefits you



*This chart assumes a hypothetical \$5,000 annual investment at the beginning of each year, a 9% average annual rate of return and a 28% federal tax bracket. The IRA investments are deductible contributions and their earnings grow tax-deferred until withdrawn at the end of the specified period, when the earnings are taxed at the rate of 28%. Totals do not reflect that IRA distributions taken before age 59½ may be subject to a 10% early withdrawal penalty. The taxable investments are invested after-tax and their earnings are taxed every year and the tax liability is deducted from the balance. This hypothetical example is for illustrative purposes and does not represent the performance of any security.*

### Your IRA options

Anyone who receives compensation, earned income or taxable alimony and is under age 70½ regardless of their adjusted gross income level, can make an annual contribution of the lesser of \$5,000 (50 years or older may contribute up to \$6,000) or 100% of compensation, earned income and taxable alimony into a traditional or Roth IRA. This limit can be split between a traditional and a Roth IRA but the combined limit is \$5,000 (\$6000 50 years or older).

Effective January 1, 1998, the tax-deductibility of a traditional IRA contribution depends on two things; whether the IRA owner is covered by an employer - sponsored retirement plan and adjusted gross income.

You may make a fully deductible \$5,000 (50 years or older may contribute up to \$6,000) contribution as long as your joint Modified Adjusted Gross Income, does not exceed the applicable limit and you are not a participant in a qualified retirement plan. Spousal retirement plan participation is no longer a factor in your eligibility for a tax-deductible IRA unless your joint MAGI exceeds the applicable limit.

# Traditional IRA



Deducting my 2009 Traditional IRA contributions		
If you are covered by a retirement plan at work		
Filing Status	Modified adjusted gross income (AGI)	Deductuion
Single or Head of Household	\$55,000 or less \$55,000 - \$65,000 \$65,000 or more	Full Deduction Partial Deduction No Deduction
Married filing jointly or qualifying widow(er)	\$89,000 or less \$89,000 - \$109,000 \$109,000 or more	Full Deduction Partcial Deduction No Deduction
Married filing seperately <sup>1</sup>	\$10,000 or less \$10,000 or more	Partial Deduction No Deduction

Deducting my 2009 Traditional IRA contributions		
If you are <u>not</u> covered by a retirement plan at work		
Filing Status	Modified adjusted gross income (AGI)	Deductuion
Single or Head of Household or qualifying widow(er)	Any Amount	Full Deduction
Married filing jointly or seperately with a spouse who <b>is not</b> covered by a plan at work	Any Amount	Full Deduction
Married filing jointly with a spouse who <b>is</b> covered by a plan at work	\$166,000 or less \$166,000 - \$176,000 \$176,000 or more	Full Deduction Partial Deduction No Deduction
Married filing seperately with a spouse who is covered by a plan at work <sup>1</sup>	\$10,000 or less \$10,000 or more	Partial Deduction No Deduction

1. You are entitled to the full deduction if you did not live with your spouse at any time during the year.

Higher income limits will be used to determine whether you qualify for deductible IRA contributions.

Withdrawals may be made penalty-free for certain purposes. Please see these discussed in the Roth IRA section. However, generally to withdraw assets penalty-free from a traditional IRA you must reach age 59½ and any withdrawal will be subject to regular income tax.

**Calculating a partial Deduction for a Traditional IRA Contribution**  
Please consult IRS Publication 590 at [www.irs.gov](http://www.irs.gov)

# Traditional IRA

## The Rollover IRA

A Rollover IRA continues to be one of the most effective retirement planning tools available to the individual investor. A Rollover IRA may enable you to retain the tax-deferred status of your retirement funds if you receive an eligible rollover distribution (any distribution other than a required minimum distribution, one of a series of substantially equal periodic payments or a hardship distribution) from an employer-sponsored retirement plan because;

- You retired, as defined in the plan,
- You terminated your current employment,
- The plan was terminated,
- A qualified domestic relations order (QDRO) was issued, or
- Your spouse passed away.

A Rollover IRA helps you to defer and possibly reduce the tax you would otherwise owe on the distribution from an employer-sponsored retirement plan and continues to let the earnings on those funds accumulate tax-deferred until you withdraw them.

For one of the reasons listed above, the plan may make available to you your portion of the funds set aside for your benefit. You must decide whether to take actual receipt and keep the money and pay taxes on the distribution now at your current federal income tax bracket or to set aside the money in a Rollover IRA and let your assets continue to accumulate tax-deferred until you withdraw them later. By setting aside the funds in a Rollover IRA, you not only postpone any federal income tax that you owe, but you will avoid the 10% penalty which might apply and you may even reduce the amount of tax that you owe, assuming your tax bracket will be lower when you retire than it is now.

A Rollover IRA is a special kind of IRA. While a regular IRA is established to receive individual deductible or non-deductible contributions, a Rollover IRA is established to segregate funds received due to a distribution from an employer-sponsored retirement plan. By keeping these funds segregated, unless they relate to a distribution from your spouse's retirement plan made due to his or her death, they will be eligible for contribution to another employer-sponsored retirement plan at a future date. You may combine individual deductible or non-deductible contributions with rollover plan funds; however, commingling a rollover IRA with individual IRA amounts will prohibit you from contributing those rollover funds to another employer-sponsored retirement plan.

### Making a Tax-Free Rollover of an Eligible Distribution

A Rollover IRA has long been favored by employees who want to extend the tax-deferred treatment of their retirement funds. If you choose not to roll over the entire amount of the distribution (determined before the withholding), you may have to pay income tax as well as a 10 percent penalty on the amount not rolled over.

One of the simplest ways for you to get the greatest value out of a retirement plan distribution is to make arrangements to transfer those funds directly to another plan or to a Rollover IRA so that you never actually receive the distribution. If you receive a distribution yourself, your employer generally must withhold 20 percent income tax from the distribution. If you want to roll the distribution into a Rollover IRA, you must do so within 60 days after you receive it. To roll over 100% of the distribution, you will need to obtain the withheld amount from other sources, then claim a refund on your tax return.

Your employer will tell you in writing what portion of your distribution is available for rollover treatment. For example, any amounts that you receive that are a return of non-deductible employee contributions are not eligible for rollover treatment. Since you have already paid

# Traditional IRA

federal income tax on these contributions, they are not taxed to you at the time of distribution anyway.

If part of your distribution from your employer is in the form of stock or other property, you may choose to sell the property and transfer the proceeds of the sale to your Rollover IRA account. The sale and the rollover must be accomplished within 60 days of receipt of the stock or property in order to retain the tax-deferred treatment of those assets.

Because the Internal Revenue Service limits the number of rollovers that you may make within a 12 month period and because in certain situations it may not be to your advantage to make a rollover contribution, you should consult with your tax advisor before consenting to any distribution from your retirement plan account or making any type of rollover contribution.

## Federal Income Tax Information for Rollovers

Distributions from your employer-sponsored retirement plan are reportable for federal income tax purposes in the year you received the funds; however, you are entitled to a deduction when you place all or a part of the amount eligible for rollover treatment into a Rollover IRA within 60 days of its receipt. Generally, if you roll over the full amount of the eligible rollover distribution (before any income tax withholding) into a Rollover IRA, then you will be eligible to deduct that amount on your federal income tax return. If you elect to roll over only a portion of the funds you receive from your employer-sponsored retirement plan to a Rollover IRA, then you will only be able to deduct that amount rolled over on your federal income tax return. The remainder which is not rolled over will be taxable (and may be subject to a 10% penalty) in the year in which it was received.

*The discussion above pertains only to federal income taxes in effect at the time this brochure was written. Local and state taxes may vary. You should consult a competent tax advisor before you consent to any distribution from your retirement plan.*

## Withdrawals from IRA Rollover Accounts

Withdrawals from your Rollover IRA account are subject to the same IRS regulations that govern regular IRA accounts. Withdrawals can be made any time after you reach age 59½. Withdrawals made before age 59½ are subject to a penalty tax, currently 10% of the amount withdrawn, unless your withdrawal meets certain specific requirements.

Withdrawals from your Rollover IRA account must begin by April 1 of the year following the year you reach 70 ½. The required minimum withdrawal is a fraction of the amount in the account based upon your age. If you do not take out the minimum so computed, the IRS imposes a 50% penalty on the difference between the amount withdrawn and the minimum.

## Establishing a Rollover IRA

To establish your American Growth Fund Rollover IRA;

Complete the IRA Application and Agreement found in the Fund's IRA application.

Be sure to check the box for "Rollover IRA,"

Complete the Designation of Beneficiary form on the back of the application form,

If the Rollover is going to be made directly from your employer sponsored retirement plan, complete the Transfer of Assets form found in the Fund's IRA application,

If the rollover is going to be made with funds you have already received, write a

# Traditional IRA

check payable to the Fund's Retirement Plan Custodian for the amount of the rollover funds you want to apply to your Fund Rollover IRA account, and Send the IRA Application and Designation of Beneficiary forms along with your Transfer of Assets form or check to the Fund's Retirement Plan Custodian listed on the back of this booklet.

## TRADITIONAL INDIVIDUAL RETIREMENT ACCOUNT (IRA) for Investing in shares of American Growth Fund, Inc. Highlights

### Eligibility

If you receive compensation (including earnings from self-employment and taxable alimony) and are under the age of 70½ at the end of the year in question, you may set up an Individual Retirement Account for that year.

### Contributions

You may contribute up to \$5,000 (age 50 and above \$6,000) or 100% of your compensation, whichever is less, to your traditional or Roth IRA. This limit can be split between a traditional and a Roth IRA but the combined limit is \$5,000 (age 50 and above \$6,000). If you are married, the total combined contributions that can be made for the year to your IRA and your spouse's IRA can be as much as \$10,000 (\$11,000 if only one of you is age 50 or older or \$12,000 if both of you are age 50 or older).

Contributions to your IRA are not required to be made every year. Contributions can be made at any time during the year or by the due date for your tax return for that year, not including extensions.

Depending on your own personal situation, your contribution may be entirely deductible, partly deductible or entirely nondeductible. If you are not an active participant in qualified retirement plan of your employer, you are eligible to make a fully deductible contribution to your IRA. Otherwise, deductibility depends upon your adjusted gross income (AGI) and tax filing status for the year 2009. (i) if your AGI is \$55,000 or less (\$89,000 if married filing jointly), your entire contribution is deductible. (ii) If your AGI is more than \$65,000 (\$109,000 if married filing jointly) or if you are married filing separately with an AGI more than \$10,000, no portion of your contribution is deductible unless you lived apart during the entire year. (iii) If your AGI is between \$55,000 and \$65,000 (\$89,000 and \$109,000 if married filing jointly), your contribution is partly deductible. Please refer to IRS publication 590 or consult with your investment or tax professional concerning partial deductions.

### Tax Advantages

Contributions to your IRA may be deductible in whole or in part on your federal income tax return. Even if you are not eligible to deduct all or part of your IRA contributions, all income earned in your IRA is tax-deferred until you begin withdrawals from your account.

### Rollover Contributions

You may use an IRA to preserve the tax-deferred status of certain distributions from another tax qualified plan if you contribute those funds to an IRA within 60 days after you receive them. It is best to establish a separate IRA to receive such "rollover" contributions. The annual contribution limitation does not apply to such "roll-over" contributions.

### Withdrawals

Withdrawals from your IRA are taxed as ordinary income except that, pursuant to the provisions of the Internal Revenue Code, a portion of each withdrawal will not be taxed if you have made designated non-deductible contributions. You may withdraw all or part of the funds from your IRA at any time, although an early withdrawal penalty may apply to the amount withdrawn. Withdrawals are subject to 10% Federal income tax withholding. In case of death, disability, certain periodic payments or certain payments pursuant to qualified domestic relations orders, the early withdrawal penalty does not apply. You must start withdrawals from your IRA when you reach age 70½.

### Restrictions

Your IRA account is intended to be used for your retirement. The tax advantages provided by participating in this retirement plan may be offset if you fail to follow certain rules established by the Internal Revenue Code. You may be penalized for excess contributions, making withdrawals prior to age 59½ (except as noted above), delaying the commencement of withdrawals beyond age 70½, withdrawing too much money from your account, not taking enough money from your account or using your IRA account in ways that are not permitted.

### To Start Your IRA Plan

Complete and sign the "American Growth Fund, Inc. - IRA APPLICATION AND AGREEMENT" form. If accounts are being opened for both you and your spouse or if you are establishing more than one IRA account, complete separate applications for each account to be established.

# Traditional IRA

If you are transferring assets from another retirement plan, a transfer of assets form is included with this booklet for your convenience so that the funds can be sent directly to us as a direct transfer.

Send the completed application form, a check made **payable to UMB Bank NA** for the initial contribution and custodian fee and any pre-authorized check and/or transfer of assets forms to:

UMB Bank NA Investment Services Group  
928 Grand Blvd, Fifth Floor  
Kansas City, MO 64106

## Schedule of Fees

### DISCLOSURE STATEMENT

The following summary is furnished to you in accordance with the requirements of the Internal Revenue Code ("Code") and regulations thereunder to assist you in understanding your individual retirement account ("IRA"). The provisions of the Custodial Agreement, Application and Prospectus govern in any instance where this Disclosure Statement is incomplete or appears to conflict. This Disclosure Statement reflects the provisions of the Internal Revenue Code and Regulations in effect on January 1, 2001. It provides a nontechnical summary of basic information regarding the nature of an IRA and is not intended to substitute for the advice of your own advisers. For further information, you may refer to IRS Publication 590, Individual Retirement Arrangements.

#### Revocation

You may cancel your IRA Custodial Agreement and your IRA application for any reason within seven days of the date you signed the Custodial Agreement. To cancel within this seven-day period, merely write a note or a letter which contains your name, address and social security number in it and which says that your IRA Custodial Agreement is canceled. Mail or deliver your note or letter to:

UMB Bank NA Investment Services Group  
c/o American Growth Fund, Inc.  
928 Grand Blvd, Fifth Floor  
Kansas City, MO 64106

If you mail the note or letter, it is considered received on the date of the postmark (or the date of registration or certification if sent by registered or certified mail).

If you do cancel your IRA within the seven-day period after you signed the Custodial Agreement, your initial contribution will be refunded to you without cost, charge or decrease of any kind.

#### General Requirements

An IRA is a trust or custodial account set up for you and your beneficiaries. The trustee or custodian must be a bank, trust company or other entity approved by the IRS. All contributions must be in U.S. dollars and are subject to certain limitations as set forth below. None of the assets in your IRA may be invested in life insurance or commingled with assets of another person except in a common trust fund or common investment fund. Your interest in your IRA is 100% vested at all times. Distributions from your IRA are subject to certain restrictions and penalties, as set forth below.

#### Eligibility

You are eligible to contribute to a regular IRA if you receive compensation from employment (wages, salaries, fees, commissions, tips, bonuses, etc. for services rendered by you), earnings from self-employment or taxable alimony and you have not reached the age of 70½ by the end of the year for which the contribution is made. If you are married and file a joint income tax return, you and your spouse are eligible to contribute to an IRA for each spouse whether or not both received compensation.

You are eligible to make a rollover contribution to an IRA if you have received an eligible rollover distribution from a tax-qualified retirement plan, including a tax-sheltered annuity, or an eligible distribution from another IRA, provided you complete the rollover within 60 days after receiving the distribution. You may also direct that a trustee or custodian of such an existing plan, annuity or IRA transfer those funds directly to the trustee or custodian of another IRA. No ceiling is placed on rollover contributions or direct transfers.

If your employer establishes a Simplified Employee Pension plan (a "SEP"), or a Savings Incentive Match Plan for Employees (a "SIMPLE") you should establish a SEP-IRA or a SIMPLE IRA to which your employer will make contributions on your behalf. If you do not do so, your employer is authorized to establish a SEP-IRA or SIMPLE IRA for you.

#### Regular IRA Contributions

Your annual allowable contributions to your traditional or Roth IRA must be in cash or a cash equivalent (like a check) and cannot exceed the lesser of your compensation for the year or \$5,000 (\$6000 if you are age 50 or over). This limit can be split between a traditional and a Roth IRA but the combined limit is \$5,000. If you are married and file a joint income tax return, the maximum combined annual contribution which you can make to the two regular IRAs for you and your spouse is \$4,000.00 or 100% of your combined compensation, whichever is less, and the amount contributed may be allocated to the two accounts in any manner you choose, provided that you contribute no more than \$5,000.00 to either IRA.

Depending on your own personal situation, your contribution may be entirely deductible, partly deductible or entirely nondeductible. If you are not an active participant in qualified retirement plan of your employer, you are eligible to

# Traditional IRA

make a fully deductible contribution to your IRA. Otherwise, deductibility depends upon your adjusted gross income (AGI) and tax filing status for the year 2009. (i) if your AGI is \$55,000 or less (\$89,000 if married filing jointly), your entire contribution is deductible. (ii) If your AGI is more than \$65,000 (\$109,000 if married filing jointly) or if you are married filing separately with an AGI more than \$10,000, no portion of your contribution is deductible unless you lived apart during the entire year. (iii) If your AGI is between \$55,000 and \$65,000 (\$89,000 and \$109,000 if married filing jointly), your contribution is partly deductible. Please refer to IRS publication 590 or consult with your investment or tax professional concerning partial deductions.

Your employer is required to tell you if you are an "active participant" in its plan for the year in question.

The Code requires you to determine what portion of your allowable contributions are deductible and/or nondeductible. You are not required to inform the Custodian and the Custodian is not obligated to check whether you are correct or not. There are penalties, discussed later, for overstating the deductible and/or nondeductible amount of your contributions.

The deductible amount of your IRA contributions made for the year may be subtracted from your gross income in computing your tax liability for that year. This is true whether or not you itemize deductions.

If the deductible amount of your IRA contributions is less than the maximum allowable contribution, you may make a nondeductible contribution of the balance. Or, you may treat your entire allowable IRA contribution made for the year as a nondeductible contribution, if you so choose. You have the responsibility of determining and reporting how much you contribute to your IRA and what portion of those contributions are deductible and nondeductible. Once contributed, the deductible and nondeductible contributions each accumulate income which is tax-deferred until withdrawal. However, it is important for you to know how much of your account is made up of deductible and nondeductible contributions in order to determine the taxable portion of any distributions you receive. If you make nondeductible contributions to your IRA, you are required to report the amount and types of your contributions to the Internal Revenue Service when you file your Federal income tax return. There is a penalty if you fail to do so. There is also a penalty if you overstate the amount of your nondeductible contributions.

Because the IRS does not allow deductions for any contributions made for the taxable year in which you reach age 70½ or any year thereafter, the IRA custodial agreement provides that no regular IRA contributions may be made to your account for that or any following taxable year. Rollover contributions, however, can be made at any time.

## Rollover Contributions

Part or all of certain distributions from qualified retirement plans, annuity plans, Keogh plans, bond purchase plans and other arrangements may be contributed to your IRA to continue the income tax deferral on those funds. This is called a rollover contribution. If the distribution includes property other than cash, you must sell the property and contribute the cash proceeds to your IRA.

A rollover contribution can be made regardless of your age and is not subject to the limitations associated with regular IRAs. Generally, only the taxable portion of the funds can be rolled over. Also, you cannot roll over payments that are part of a series of substantially equal amounts made over your (and your beneficiary's) lifetime or life expectancy or a fixed period of ten or more years. Finally, if you have reached age 70½, a portion of your funds may not be eligible to be rolled over. The plan administrator or payor of your employer sponsored retirement plan, annuity plan or other arrangement is required to provide you with a special notice regarding plan payments containing written explanation of the amount of the distribution which is eligible for rollover treatment.

A rollover contribution can be made to your IRA by directing your present trustee or custodian to deliver those funds directly to the successor trustee/custodian. Alternatively, you can choose to receive a distribution personally, provided you then make your rollover contribution within 60 days of receipt. In the event you receive your distribution personally, 20% withholding for federal income taxes is required to be deducted from your distribution by your present trustee/custodian. Therefore, if you want to roll over all of the distribution, you must contribute separate funds to replace the 20% that was withheld. You may then receive a refund of the amount withheld when you file your federal income tax return. You may also make rollovers from one IRA to another either by direct transfer (trustee/custodian to trustee/custodian) or by making a personal withdrawal and contributing the amount withdrawn into another IRA within 60 days. However, once you have personally taken a withdrawal and made a contribution to another IRA, you must wait twelve months before you can use that procedure again.

You may be able to make rollover contributions from your IRA account of the amount distributed from a qualified retirement plan (plus the earnings thereon) back into certain types of qualified retirement plans. If it is possible that you may be covered by an employer-sponsored qualified retirement plan at some point in the future, a distribution from a qualified retirement plan which is being rolled over into an IRA should not be commingled with voluntary IRA contributions. The combination of voluntary contributions and rollover contributions which originated from a qualified retirement plan distribution would prohibit the future rollover of the funds of the IRA into another qualified retirement plan and thereby result in the permanent loss of advantages of qualified retirement plans for such funds. In order to keep such funds separate, two accounts should be established, one for the IRA rollover funds and one for the voluntary contributions. These rules are very complicated. Therefore, it is important that you consult with your professional advisers regarding any contemplated rollovers.

## SEP Contributions

If you are a participant in a SEP or a SIMPLE-IRA, your employer may make contributions to your SEP-IRA or SIMPLE-IRA. In addition, if the SEP was established prior to January 1, 1997, it may contain a salary reduction provision enabling you to elect to reduce your compensation and have the amount of that reduction contributed to your SEP-IRA. SEPs and SIMPLEs have different contribution limitations which are generally more favorable than regular IRAs. If your employer maintains a SEP or a SIMPLE, you should contact your employer and/or other professional advisers regarding the limitations on such contributions.

# Traditional IRA

## When You May Make Your Contributions

Except for rollover contributions, contributions to your IRA for a taxable year may be made up through the due date (not including extensions) for that year's federal income tax return. For example, a calendar year taxpayer must make contributions no later than April 15 following the year for which the deduction is to be taken. The taxable year for which the contribution is made must be designated at the time the contribution is made. If you do not designate the year for your contribution, the Custodian will apply your contribution as a current year contribution.

## Tax Penalty On Excess Contributions

Except for a rollover contribution, any contribution in excess of your annual allowable contribution specified in the above section entitled **Contributions** will be subject to an annual 6% excise tax. This excise tax is not deductible.

You can avoid the excise tax by withdrawing the excess and any earnings on it before the due date (including extensions) for filing your federal tax return for that taxable year. You cannot take a deduction for the excess contribution and the withdrawn earnings, if any, must be included in income for the tax year in which the excess contribution was made. The 6% excise tax will also be imposed in each future year if you do not withdraw the excess or if you do not eliminate the excess by making reduced contributions for future years.

## Prohibited Transactions, Loans

If you or any of your IRA beneficiaries enter into transactions with your IRA prohibited by Section 4975(c) of the Code, which generally prescribes dealings (other than your contributions and permitted distributions) between you or such beneficiaries and your IRA, your IRA will lose its tax exemption and you or such beneficiaries will be required to include in your gross income for the year of such transaction the market value of the account. In addition, the 10% penalty for premature distributions will be imposed if you are under age 59½.

If you borrow from your IRA or use all or any portion of your IRA as security for a loan, that transaction will be treated as a prohibited transaction under Section 4975(c).

## Withdrawals

You must begin withdrawals from your IRA for the calendar year in which you reach age 70½ and each year thereafter. (The first such withdrawal can be postponed until April 1 of the year after you reach age 70½.) You reach age 70½ six months after your 70th birthday. The taxable portions of withdrawals from your IRA are treated as ordinary income regardless of their source. Withdrawals are subject to withholding unless you file a withholding certificate with the Custodian.

If you do not begin taking withdrawals from your IRA account before the required beginning date or if you do not take the required minimum withdrawals, you will be liable for a penalty equal to 50% of the amount of the difference between the minimum amount required to be withdrawn in the tax year and the amount actually withdrawn. For example, if you are required to withdraw \$1,000 for the taxable year and you withdrew only \$800, then you would be liable for a penalty tax in the amount of \$100 ( $\$1,000 - \$800 = \$200$ ,  $\$200 \times 50\% = \$100$ ).

The amount of the required minimum withdrawal must be computed based upon IRS rules regarding your life expectancy or you and your beneficiary's joint life expectancy. The IRS provides tables for determining the minimum amount necessary to satisfy these requirements. Although the minimum must be calculated separately for each IRA you own, the amounts can be totaled and a withdrawal can be made from any one or more of your IRAs.

If you die after required minimum withdrawals to you from your IRA have started, the remaining amount in your IRA account must be withdrawn at least as rapidly as prior to your death. If you had chosen a method of payment which provides for continued payments to your designated beneficiary when you die, then your designated beneficiary, if living at your death, will receive those payments.

If you die before you reach age 70½, your IRA account must be withdrawn (1) in a lump sum by December 31 of the year containing the fifth anniversary of your death or (2) in installment payments over a period not longer than the life expectancy of your designated beneficiary beginning by December 31 of the year following your death. If your designated beneficiary is your spouse, commencement of withdrawals may be deferred until December 31 of the year that you would have reached age 70½, or your spouse may elect to treat the account as his or her own IRA.

The rules regarding withdrawals from IRAs are complex. Please see the Custodial Agreement and IRS Publication 590, Individual Retirement Arrangements, and contact your professional advisers for more information concerning withdrawals from your IRA and specifically how to calculate minimum withdrawals.

## Tax Status

All deductible contributions made to your IRA are deductible from gross income for federal income tax purposes regardless of whether you itemize deductions.

The earnings on your IRA account (including both deductible and nondeductible contributions) are not taxable in the year they are earned.

Withdrawals from your IRA will be taxed in the taxable year you receive them. If you withdraw only a part of your IRA account in a taxable year, only the part withdrawn will be taxable for that year. Withdrawals from your IRA (or any of your IRAs if you have more than one) will be apportioned between deductible and nondeductible contributions made to all of your IRAs and the earnings thereon. The portion attributable to nondeductible contributions will not be taxable. The balance will be taxed at ordinary income tax rates. Also, a withdrawal may be subject to certain penalty taxes as noted herein. The favorable income tax treatment for certain distributions from qualified retirement plans maintained by employers does not apply to withdrawals from your IRA account. This is true regardless of the type of withdrawal from your IRA and regardless of the source of your contribution to the IRA.

# Traditional IRA

Federal and state income, inheritance or other taxes may apply to IRA distributions. You should ask your tax adviser for more information.

## Penalty On Early Withdrawals

Because IRAs are intended to be used for income during retirement years, early or premature withdrawal of money from your IRA account is subject to a penalty as well as applicable income tax. If you withdraw from your IRA account, borrow funds or otherwise use the funds as collateral for a loan before you reach age 59½, the entire payment or amount borrowed or pledged may be considered a premature withdrawal. The penalty is 10% of the amount withdrawn, borrowed or pledged. The amount will also be included in your gross income for the tax year in which it is withdrawn, borrowed or pledged. There is no penalty if a withdrawal is made (a) after reaching age 59½, or (b) because of death or disability at any age, or (c) pursuant to a qualified domestic relations order, or (d) as part of a series of substantially equal periodic payments (at least annually) over your life or the joint lives of you and your beneficiary. Also, withdrawals made before the due date of your tax return to correct an excess contribution or to correct an excess rollover contribution from a qualified retirement plan which was caused by erroneous tax information supplied by your employer on which you reasonably relied are not subject to the penalty. In addition, it does not apply if the withdrawals are used to pay certain higher education expenses, to pay eligible first-time homebuyer expense, to pay overdue taxes pursuant to an IRS levy (beginning in the year 2000), or if they do not exceed the amount of your deductible medical expenses (those in excess of 7½% of your adjusted gross income). There is also a limited exception if withdrawals do not exceed the cost of health insurance coverage and you have been unemployed for a specified period of time. You should check with a professional tax adviser for details regarding these exceptions and any others added to the law. Finally, withdrawals rolled over to another IRA or qualified retirement plan (subject to the requirements as set forth above) are excluded from gross income and not subject to the penalty.

## Beneficiaries

A "Designation of Beneficiaries" form is included with this booklet where you may choose your beneficiary or beneficiaries and choose the type of distribution your beneficiaries will receive if you die. If you want to change that designation, you may do so at any time by notifying the Custodian either in writing or by submitting a new form. Any change in beneficiary will be effective upon receipt by the Custodian and will cancel all of your prior beneficiary designations.

The last designation which is filed with us during your lifetime will be the controlling designation at death. If you do not designate a beneficiary, your IRA will go to your estate.

## Tax Reporting

The custodian files Form 5498 with the Internal Revenue Service each year that you have a balance in your IRA. Allowable deductions for your IRA contributions should be reported on your regular Form 1040 tax return every year. If you made a nondeductible contribution to your IRA you are required to file Form 8606 with your federal income tax return for the year in which the nondeductible contribution was made. If you owe a penalty for excess contributions, early withdrawals, or failure to take minimum withdrawals, or receipt of excess distributions, you must also file Form 5329.

For more information about tax filing requirements or general information about IRAs, see IRS Publication 590 or contact any IRS District Office and/or your tax adviser.

## IRS Approval

IRS Form 5305-A contained in this material (excluding Article IX) has been approved by the Internal Revenue Service. Such approval applies only to the form of the account and not to the merits of the investment.

## FINANCIAL INFORMATION

As more fully discussed in the American Growth Fund, Inc. ("Fund") prospectus (the "Prospectus") furnished to you, the value of your IRA will increase or decrease by changes in the net asset value of the Fund, computed as of each business day. The growth in the value of the account is neither guaranteed nor projected. For a detailed explanation of calculation of net asset value, see "Pricing of Fund Shares" in the Prospectus. Your IRA may also grow through your pro rata share of the Fund's income from its investments and capital gains from the sale of securities by the Fund. See "Dividends, Distributions and Tax Status" in the Prospectus for a detailed explanation.

The Fund pays its investment advisor an annual fee for managing its investment's of 1% of the Fund's average net assets for the first \$30,000,000 of such assets and 3/4% for the balance. The Fund also pays its own expenses subject to the limitations set by the securities laws in effect from time to time in the states in which the Fund's securities are registered for sale or are exempt from registration and are offered for sale. State laws governing the limitation on expenses may change from time to time, and management of the Fund will comply with the most restrictive state law. Any expense of the Fund over this limitation (except certain excluded expenses) are paid by the Fund's investment advisor. See "Investment Adviser Agreement" in the Statement of Additional Information. The sales price for Fund shares includes a sales charge of no more than 5.75% of the offering price of the selling dealer and the Fund's underwriter. The sales charge and amounts which may be paid to dealers vary with the amount of the investment. See "Sales Charges" in the Prospectus for a detailed explanation.

The Custodian charges each IRA account an annual fee in the amount of \$20.00 to service and maintain your account. An annual Custodian fee will be charged for any year or portion of any year during which you have an account with the Fund. You may, if you desire, pay this annual fee in advance if you remit a check in the amount of \$20.00 per account made payable to UMB Bank NA and send it to UMB Bank NA, c/o World Capital Brokerage, Inc., 1636 Logan Street, Denver, CO 80203 by December 1 of each calendar year. Please note on your check your IRA account number and that this is for the "Custodian Fee." If you do not pay this fee in advance by December 1 of each calendar year, this \$20.00 fee will be deducted from your IRA account. If this fee is deducted from your IRA account, you may not add

## Traditional IRA

additional funds to your IRA account to reimburse your IRA account for the fee. If you pay your fee in advance with a separate check, you may be able to deduct the fee if you itemize your deductions on your federal income tax return. Please contact your tax advisor regarding the tax consequences for your personal situation.

The Fund's average annual total return is a percentage expressed in terms of the average annual compounded rate of return of a hypothetical investment of \$1,000 in the Fund over periods of 1, 5 and 10 years, will reflect the deduction for the sales charge imposed upon an initial investment in the Fund and the deduction of a proportional share of Fund expenses (on an annual basis) and will assume that all dividends and distributions are reinvested when paid. If such charges were excluded from the total return figures, the total return figures would be greater than depicted.

In addition to the standardized calculation of annual total return, the Fund may use other methods of calculating its performance. These calculations may be expressed in terms of the total return as well as the average annual compounded rate of return of a hypothetical investment in the Fund over varying periods of time in addition to 1, 5 and 10 years up to the life of the Fund and may reflect the deduction of the appropriate sales charge imposed upon an initial investment of more than \$1,000 in the Fund. These performance calculations will reflect the deduction of a proportional share of Fund expenses (on an annual basis), will assume that all dividends and distributions are reinvested when paid, may include periodic investments or withdrawals from the account and may include deductions for an annual custodian fee. The Fund may calculate its total return or other performance information prior to the deduction of a sales charge. See "Fund Performance History" in the Prospectus for more information.

### Miscellaneous

Your interest in your IRA must be and is nonforfeitable.

Your IRA custodian is UMB Bank NA and must continue to be a bank or other qualified trustee.

No part of your IRA may be commingled with other funds or invested in life insurance contracts. Your IRA custody agreement provides for investment solely in shares of American Growth Fund, Inc. which will be held in the name of your IRA or the bank as custodian for your IRA.

Further information as to your IRA can be obtained from any District Office of the Internal Revenue Service.

**Please Note:** *This booklet was prepared in accordance with the IRS Code in affect at the time the booklet was printed; it is suggested, therefore, that the Participant obtain Internal Revenue Service Publication 590 or consult with a competent tax advisor for changes in the Code which may effect his or her retirement plan.*

Form 5305a as well as IRS Publication 590

can be found at [www.irs.gov](http://www.irs.gov)

# Roth IRA

Provided you receive compensation, earned income or taxable alimony and your total income doesn't exceed certain levels, as indicated on the following chart, you can contribute to a Roth IRA.

To be eligible for...	Your modified adjusted gross income (MAGI) must be...
A full \$5,000 contribution (\$6,000 for age 50 and above)	\$166,000 or less (if you file a joint tax return) \$105,000 or less (if you file a single tax return)
A partial contribution (less than \$5,000) (\$6,000 for age 50 and above)	Between \$166,000 - \$176,000 (if you file a joint tax return) Between \$105,000 - \$120,000 (if you file a single tax return)

You will pay no federal income taxes on your Roth IRA earnings.

Roth IRA annual contributions are not deductible; they are made with after tax dollars, which are considered to come out first when you take a distribution. You may withdraw the amount of your aggregate contributions at any time federal income tax and penalty free.

Withdrawals in excess of aggregate contributions will be free from federal income tax if:

- A. Your Roth IRA has met certain five-year aging requirements<sup>1</sup>, and
- B.
  1. You are 59½ years old or older when you make the withdrawal, or
  2. Your beneficiary makes the withdrawal after your death, or
  3. You are disabled (as defined by the Code) at the time of the withdrawal, or
  4. The withdrawal is used for a first-time home purchase (pursuant to Code rules).

Amounts otherwise subject to federal income tax may be withdrawn for the following reasons without a 10% early withdrawal penalty:

- Eligible first-time home purchase expenses (pursuant to the Code and regulations)
- Eligible higher education expenses as defined by the Code and regulations
- Deductible medical expenses for the year of withdrawal
- Death or disability of the IRA account owner
- Payment of health insurance premiums if you meet specific unemployment requirements.

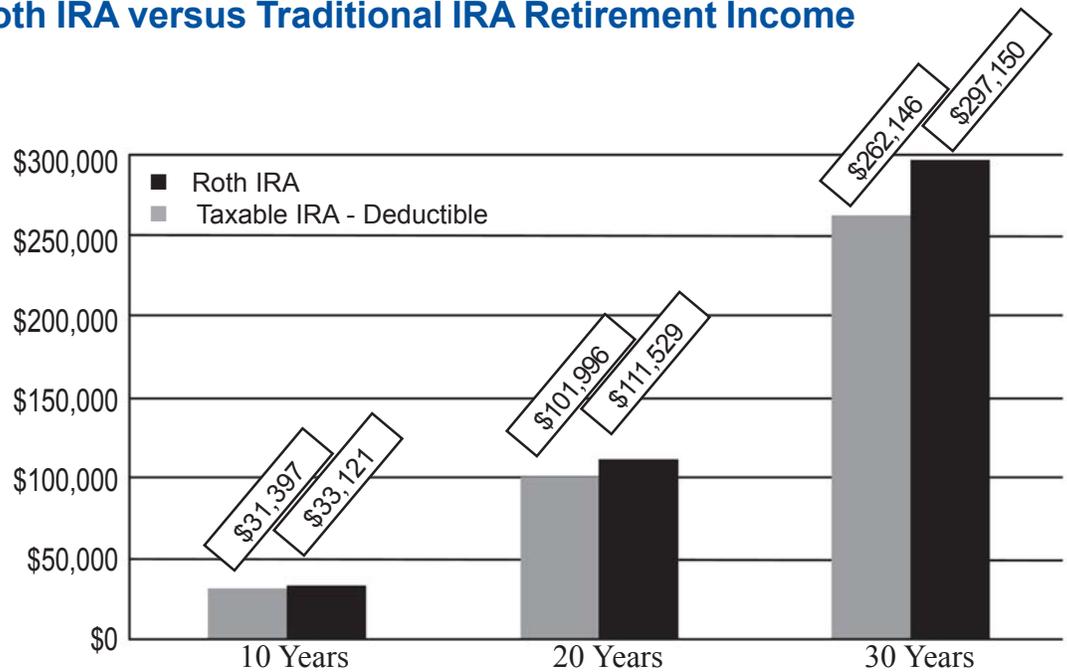
*1. For Roth contributory IRAs, the five-year aging period begins on January 1 of the year for which the first annual Roth IRA contribution is made. For Roth conversion IRAs, the five-year aging period begins on January 1 of the year in which the conversion contribution is made.*

# Roth IRA

- The withdrawal is one of a scheduled series of substantially equal periodic payments for your life or life expectancy.
- Beginning in the year 2000, the withdrawal is pursuant to an IRS levy

Unlike the traditional IRA, you can contribute to a Roth IRA after you reach age 70½ and a Roth IRA does not require minimum distributions beginning at age 70½. This will give you additional time to accumulate potential tax-free earnings. Should you never decide to commence distribution, you may pass on your Roth IRA to your beneficiaries.

## Roth IRA versus Traditional IRA Retirement Income



*This chart assumes a hypothetical \$5,000 annual investment at the beginning of each year, a 9% average annual rate of return and a 28% federal tax bracket for all options at the time of contribution and of distribution. The Traditional IRA includes deductible contributions which grow tax-deferred until withdrawn at the end of the specified period. The Roth IRA includes nondeductible contributions which grow and are distributed tax-free at the end of the specified period. All values reflect a lump sum distribution at the end of the period net of any applicable taxes and assume no early withdrawal penalties due upon distribution. This does not represent the actual performance of any Fund.*

# Roth IRA

	Traditional IRA	Roth IRA
Eligibility Requirements	Under age 70½ with compensation, earned income or taxable alimony, or a non-working spouse	Any age with compensation, earned income or taxable alimony, or a nonworking spouse; subject to income limits: <b>Single Filers:</b> MAGI Up to \$95,000 (to qualify for a full \$2,000 contribution); MAGI \$95,000 - \$110,000 (to be eligible for a partial contribution) <b>Joint Filers:</b> MAGI Up to \$150,000 (to qualify for a full \$2,000 contribution); MAGI \$150,000 - \$160,000 (to be eligible for a partial contribution)
Key Tax Advantage	Federal Income Tax- <b>deferred</b> growth	Federal Income Tax- <b>free</b> growth
Tax Treatment of Withdrawals	Any earnings and deductible contributions subject to federal income tax upon withdrawal	Contributions can be withdrawn federal income tax-free. Qualified distributions of earnings are federal income tax-free (i.e., no federal income taxes on withdrawals if the five-year aging requirement and certain other conditions are met.
Tax-Deductible	<b>Yes</b> , subject to retirement plan participation status and MAGI limits	<b>No</b>
Maximum Annual Contribution	\$5,000 per person or 100% of compensation, earned income and taxable alimony whichever is less (in aggregate to both a Traditional IRA and a Roth IRA) per tax year (\$6,000 for age 50 and above)	
10% Early Withdrawal Penalty	Applies, if you are under age 59½ and the withdrawal is not for the reason listed below	
Penalty-Free	Permitted if you are age 59½ or if withdrawal is for certain higher education expenses; first home purchase; certain major medical expenses; certain long-term unemployment expenses; death; disability; IRS levy (beginning in the year 2000)	
Mandatory Withdrawals	Withdrawals must start at age 70½	No requirement to begin withdrawals at any age



## ROTH INDIVIDUAL RETIREMENT ACCOUNT (ROTH IRA) for Investing in shares of American Growth Fund, Inc. Highlights

### INTRODUCTION

This Disclosure Statement describes the rules generally applicable to Roth IRAs as of January 1, 2010. If you are interested in information about regular IRAs, SEP-IRAs or SIMPLE-IRAs, please see American Growth Fund's regular IRA Disclosure Statement.

Roth IRAs are a kind of IRA available for the first time beginning in 1998.

Roth IRAs have several tax benefits. Although contributions are not deductible, dividends and gains are not subject to federal income tax. Withdrawals from your Roth IRA will generally be excluded from your income for federal income tax purposes.

Whether a Roth IRA is more advantageous for you will depend upon your individual situation. A Roth IRA may be advantageous if your adjusted gross income is too high to make a deductible regular IRA contribution, but not too high to make a Roth IRA contribution. Other factors will include your current income tax bracket, your expected income tax bracket when you begin withdrawals from your IRA, when you expect to begin withdrawals from your IRA, how much the IRA will grow before you begin withdrawals, and other factors.

You should consult your professional tax advisors for assistance on the latest developments concerning the Roth IRA and whether a Roth IRA is appropriate for you.

### ELIGIBILITY

You are eligible to establish a Roth IRA regardless of your age or whether you are a participant in an employer-sponsored retirement plan, if you receive compensation or earned income during the year for personal services, or if you receive taxable alimony. If your spouse receives such income, he or she can also establish a Roth IRA and make contributions to it. If you meet the eligibility requirements, you can establish a separate Roth IRA for your spouse (a "spousal Roth IRA"), provided you file a joint tax return with your spouse.

### CONTRIBUTIONS

You may establish a Roth IRA and make contributions to it for a taxable year on or before the due date (not including extensions) for your federal income tax return for that year. If the contribution is for the prior year, you must so designate that at the time the contribution is made. For each year you are eligible, you can contribute up to the lesser of \$5,000 (\$6,000 for age 50 and above) or 100% of your compensation, earned income, and/or taxable alimony. This limit can be split between a traditional and a Roth IRA but the combined limit is \$5,000 (\$6,000 for age 50 and above). Annual contributions cannot be made to a Roth IRA which contains funds transferred from a regular IRA (see below). Your Roth IRA contribution must be reduced by any contributions for the same year made to a regular IRA. If you and your spouse each have a Roth IRA, each spouse may contribute up to \$2,000 to his or her account for the year or one spouse can contribute up to \$2,000 to each Roth IRA. \$2,000 can be contributed to each Roth IRA even if one spouse had no income, as long as the combined compensation, earned income and/or taxable alimony of both spouses is at least \$4,000 and they file a joint federal income tax return. If the combined compensation, earned income and taxable alimony of both spouses is less than \$4,000, the total contributions cannot exceed the combined compensation, earned income and/or taxable alimony of both spouses.

If your modified adjusted gross income is \$105,000 (single)/\$167,000 (married filing jointly) or less, you can contribute up to the lesser of \$5,000 (\$6,000 for age 50 and above) or 100% of your compensation, earned income, and/or taxable alimony. This limit can be split between a traditional and a Roth IRA but the combined limit is \$5,000 (\$6,000 for age 50 and above). If your modified adjusted gross income is at least \$167,000 - 177,000 (married filing jointly), single \$105,000 - 120,000, the amount you can contribute is reduced. Please refer to IRS Publication 590 regarding these reductions. For these purposes, modified adjusted gross income is adjusted gross income reduced by certain items, including income as a result of conversion of an existing regular IRA (see below).

### EXCESS CONTRIBUTIONS, PENALTIES

Any amount contributed to a Roth IRA above the maximum permitted amount is considered an "excess contribution" and is subject to an excise tax of 6% for each year it remains in the Roth IRA. You can avoid this penalty by withdrawing the excess contribution and any earnings on it before the due date (including extensions) for filing your federal income tax return for that year. The earnings must be included in income for the year in which the contribution was made and withdrawal of the earnings may result in a 10% premature withdrawal penalty, unless an exception applies. Any excess contribution withdrawn after the due date (including extensions) for filing your federal income tax return for the year of the contribution will be subject to the 6% excise tax annually until it is withdrawn or you contribute that amount less than the maximum limitation in a later year.

### CONVERSION OF EXISTING REGULAR IRAs

You can convert an existing regular IRA into a Roth IRA if, for the year of conversion, your modified adjusted gross income is \$100,000 or less (regardless of whether you are single or married). Married taxpayers can only convert a regular IRA into a Roth IRA if they file a joint income tax return with their spouse unless they have lived apart for the entire taxable year. No contributions other than Roth IRA conversion contributions may be deposited into the

# Roth IRA

Roth IRA conversion account during the year of conversion. When you convert your regular IRA into a Roth IRA, the taxable amount in your regular IRA will be considered taxable income on your federal income tax return for that year, but the early withdrawal penalty will not apply.

You can undo a conversion by notifying the custodian or trustee of the Roth IRA that received the conversion. The amount you want to transfer back to a regular IRA is treated as if it had not been converted. This is called "recharacterization." If you want to recharacterize a converted amount, you must do so before the due date (including any extensions you receive) for your federal income tax return for the year of the conversion. Any earnings on the amount recharacterized must also be paid back to the regular IRA.

Under current rules, you can recharacterize for any reason. For example, you would recharacterize if you converted early in a year and then turned out to be ineligible because you did not meet the eligibility requirements (more than \$100,000 of AGI or married but not filing jointly). Also, if you convert and then recharacterize during a year, you can then convert to a Roth IRA later in that year if you meet the eligibility requirements. Under the current rules, there is no limit on the number of times you can convert, recharacterize and then convert again during a year, and no restrictions on the reasons for doing so. However, if you convert an amount twice in a year, any additional conversion transactions will be disregarded when determining the amount of income taxes you have to pay because of the conversion.

For example, suppose you convert a regular IRA with \$100,000 in it to a Roth IRA early in the year. You will owe income taxes on \$100,000 (assuming the regular IRA consisted entirely of taxable amounts). Assume the market value of your Roth IRA declines to \$80,000, and you recharacterize it back to a regular IRA and then convert the regular IRA a second time to a Roth IRA during the same year. You will have to pay income taxes on only \$80,000 rather than on \$100,000. Assume the value on the Roth IRA declines further to \$60,000, so you recharacterize back to a regular IRA and then convert it to a Roth IRA a third time during the same year. This last conversion is disregarded for income tax purposes, and you will still have to pay income taxes on \$80,000. These rules are very complex; be sure to consult a competent tax professional for assistance. The rules on the number of conversions that will be recognized for income tax purposes, the number of conversions permitted or the acceptable reasons for recharacterizing may change in the future.

You should consider all of the circumstances in determining whether or not to convert a regular IRA into a Roth IRA, including whether you expect to leave the converted funds on deposit in your Roth IRA for at least five years, whether you will be able to withdraw the funds from your Roth IRA such that the withdrawal will not be taxable, whether you expect to be in the same tax bracket when you withdraw funds from your IRA as you are presently, and other personal and financial circumstances.

## TRANSFERS/ROLLOVERS FROM OTHER PLANS

Distributions from qualified retirement plans or Section 403(b) arrangements are not eligible for rollover or direct transfer to a Roth IRA, unless those funds are first rolled over into a regular IRA, and that IRA is then converted into a Roth IRA. You should consult with your tax and financial advisors as to whether such a transaction is possible.

You may make a rollover from one Roth IRA to another Roth IRA, provided the rollover is completed within 60 days after the withdrawal from the first Roth IRA and provided you have not made a similar rollover within a full year prior to the current rollover. You can instruct a Roth IRA custodian to make a direct transfer of amounts to another Roth IRA custodian at any time.

## WITHDRAWALS

You may make a withdrawal from your Roth IRA at any time. If the withdrawal meets the requirements set forth below, it will not be subject to federal income tax, notwithstanding the fact that the Roth IRA account includes income and gains on the contributions originally made. Unlike regular IRAs, there are no rules concerning when you must start making withdrawals from your Roth IRA or the minimum required amounts for such withdrawals during your lifetime. If you die, the amount in your Roth IRA must generally be distributed by the end of the calendar year in which the fifth anniversary of your death occurs. However, distributions to a designated beneficiary can be paid over the life expectancy of that beneficiary if they begin by December 31 of the year following your death. Finally, if your surviving spouse is the beneficiary of your Roth IRA, he or she may postpone withdrawals until the year in which you would have reached age 70½ or may elect to treat the Roth IRA as his or her own, thereby avoiding all distribution requirements. If your beneficiary fails to withdraw a required amount, he or she may be subject to a 50% penalty on the amount not properly withdrawn.

A withdrawal from your Roth IRA will be tax free if the Roth IRA has been opened for at least five years beginning with the year for which the contribution was made (or in which the conversion of the regular IRA was made) and one or more of the following conditions is satisfied:

- A. You are 59½ or older when you make the withdrawal;
- B. The withdrawal is made by your beneficiary after you die;
- C. You are disabled when you make the withdrawal;
- D. You use the withdrawal to pay eligible first-time home buyer expenses for you, your spouse, or a child,

parent, grandchild, or grandparent of you or your spouse, up to a maximum lifetime of \$10,000 per Roth IRA account owner. If the tax-free withdrawal requirements set forth above are not met, a withdrawal from your Roth IRA may be taxable. You should consult your tax and other professional financial advisors for more information and current rules before making any withdrawal from your Roth IRA. For purposes of determining what portion of any distribution is includable in income, under current law, all of your Roth IRA accounts are considered as one single account. Amounts withdrawn are first considered withdrawals of your contributions until you have withdrawn an amount equal to your total contributions. After that, amounts withdrawn are considered withdrawals of conversion amounts (on a first-in, first-out basis). Finally amounts withdrawn are income and gains, and such amounts are treated as ordinary income in the taxable year withdrawn, may be subject to withholding, are not eligible for averaging treatment or capital gains tax treatment, and may be subject to the 10% early withdrawal penalty.

Any taxable withdrawal from your Roth IRA before you attain age 59½ generally will be considered as an early withdrawal and subject to a 10% early withdrawal penalty, unless one of the following exceptions applies:

## Roth IRA

- A. The withdrawal was on account of your death or disability;
- B. The withdrawal is one of a scheduled series of substantially equal periodic payments made over your life or life expectancy for the joint lives or life expectancy of you and your beneficiary;
- C. The withdrawal is used to pay eligible higher education expenses for tuition, fees, books and supplies (and room and board if the student is attending at least half-time) required to attend an institution for post-secondary education. (The student may be you, your spouse, your child or grandchild);
- D. The withdrawal is used to cover eligible first-time home buyer expenses (see above);
- E. The withdrawal is no more than the amount of your deductible medical expenses for the year in excess of 7½% of your adjusted gross income;
- F. The withdrawal does not exceed the amount you paid for health insurance coverage for yourself, your spouse and dependents if you have been unemployed and received unemployment compensation for at least 12 weeks;
- G. Beginning in the year 2000, the withdrawal is pursuant to an IRS levy.

### REGULAR IRA RULES

Many of the rules applicable to regular IRAs also apply to Roth IRAs. For example, contributions must be made in the form of cash or securities acceptable to the custodian. If you engage in a prohibited transaction (as defined in Section 4975 of the Internal Revenue Code) your Roth IRA is treated as being distributed the year such transaction occurred, and the rulings regarding withdrawals (including the premature withdrawal penalty) would apply. Some types of prohibited transactions include borrowing from or lending to your Roth IRA, pledging your Roth IRA as a security for a loan, selling or buying property from your Roth IRA, or leasing property to or from your Roth IRA. Such transactions are only prohibited if they involve you or an entity in which you have a 50% or greater interest. If you use your Roth IRA account to acquire "collectibles" as defined in Section 408(m) of the Internal Revenue Code, those assets will be treated as having been distributed to you and may be required to be included in your income.

### CONCLUSION

Information set forth above relating to Roth IRAs is based upon information available as of January 1, 2010. You should be aware that Roth IRA's are the result of 1990s legislation, and the U.S. Department of Treasury has not issued complete regulations or rulings relating to the operation and tax treatment of Roth IRA accounts. Also, there is the possibility that Congress may enact further legislation in this area which could change some of the current rules and their interpretations. Therefore you should be sure to consult with your tax and other financial advisors for advice concerning Roth IRAs and their affect on your personal situation.

**Form 5305-RA as well as IRS Publication 590**

**can be found at [www.irs.gov](http://www.irs.gov)**

A vertical photograph on the left side of the page shows a young woman with blonde hair, smiling broadly. She is wearing a red graduation cap and a red graduation gown. The background is slightly blurred, suggesting an indoor setting with warm lighting.

## Educational IRA

In tax year 1998, Congress created the Education IRA (Coverdell ESA) to pay for the qualified higher education expenses of a designated beneficiary. Like a Roth IRA or a traditional IRA, an Education IRA must be established in the form of a Trust or Custodial account. The name and social security number of the person on whose behalf the account is established (the “beneficiary”) will be on the statements and reports and these will be sent to the beneficiary. Contributions to an Education IRA are not tax-deductible, but earnings not subject to federal income tax and qualified withdrawals are excluded from income for federal income purposes.

A beneficiary cannot have more than \$2,000 contributed in his or her name from all sources in a single year. While \$2,000 may seem like a small amount to set aside towards higher-educational expenses just \$500 annually over an eighteen year period could add up to \$24,951 assuming an 8% return. Of course past performance is no indication of future results and there may be a gain or a loss upon redemption of any investment.

Parents, grandparents and non-relatives who fall under the following income limits may contribute the full \$2,000 to an Education IRA for a beneficiary under age 18. Generally, any one individual can contribute to an Educational IRA if their MAGI is under \$110,000 (\$220,000 for individuals filing jointy returns. Your Contribution limit may be reduced if your MAGI is between \$95,000 and \$110,000, between \$190,000 and \$220,000 if filing a joint return (please refer to IRS publication 970). If your MAGI is over \$110,000 (\$220,000 if filing a joint return) then you can not contribute to anyone’s Education IRA.

There is no minimum time period that the account must exist and withdrawals may commence at any time. All or any part of an Education IRA balance may be rolled over tax-free into an Education IRA for another beneficiary within the same family. Any balance remaining in the account when the beneficiary reaches age 30 must be distributed or rolled into another qualifying Education IRA. Distributed earnings will be subject to income tax and an additional 10% penalty.

# Educational IRA

## EDUCATION INDIVIDUAL RETIREMENT ACCOUNT (EDUCATION IRA) for Investing in shares of American Growth Fund, Inc. Highlights

Beginning January 1, 2010, taxpayers may deposit up to \$2,000 per year into an Education IRA for a child under age 18. Parents, grandparents, other family members, friends, and a child him/herself may contribute to the child's Education IRA, provided that the total contributions for the child during the taxable year do not exceed the \$2,000 limit. Amounts deposited in the account grow tax-free until distributed, and the child will not owe tax on any withdrawal from the account if the child's qualified higher education expenses at an eligible educational institution for the year equal or exceed the amount of the withdrawal. If the child does not need the money for postsecondary education, the account balance can be rolled over to the Education IRA of certain family members who can use it for their higher education. Amounts withdrawn from an Education IRA that exceed the child's qualified higher education expenses in a taxable year are generally subject to income tax and to a withdrawal penalty of 10 percent. The Hope Scholarship Credit and Lifetime Learning Credit may not be claimed for a student's expenses in a taxable year in which the student takes a tax-free withdrawal from an Education IRA. The following questions are taken from IRS Notice 97-60 regarding Education IRAs.

### **Q1: What is an Education IRA?**

A1: An Education IRA is a trust or custodial account that is created or organized in the United States exclusively for the purpose of paying the qualified higher education expenses of the designated beneficiary of the account. The account must be designated as an Education IRA when it is created in order to be treated as an Education IRA for tax purposes.

### **Q2: For whom may an Education IRA be established?**

A2: An Education IRA may be established for the benefit of any child under age 18. Contributions to the Education IRA will not be accepted after the designated beneficiary reaches his/her 18th birthday.

### **Q3: Where may an individual open an Education IRA?**

A3: An individual may open an Education IRA with any bank, or other entity that has been approved to serve as a nonbank trustee or custodian of an individual retirement account (IRA), and the bank or entity is offering Education IRAs. Other entities that wish to offer Education IRAs but are not approved to serve as IRA trustees or custodians may seek approval by following the same IRS procedures used for approval of other IRA nonbank trustees. See Notice 97-57, 1997-73 I.R.B. (October 27, 1997).

### **Q4: When may a taxpayer start contributing to an Education IRA for a child?**

A4: A taxpayer may start making contributions on at any time.

### **Q5: How much may be contributed to a child's Education IRA?**

A5: Up to \$2,000 per year in aggregate contributions may be made for the benefit of any child. The contributions may be placed in a single Education IRA or in multiple Education IRAs.

### **Q6: What happens if more than \$2,000 is contributed to an Education IRA on behalf of a child in a calendar year?**

A5: Aggregate contributions for the benefit of a child in excess of \$2,000 for a calendar year are treated as excess contributions. If the excess contribution (and earnings attributable to them) are not withdrawn from the child's account (or accounts) before the tax return for the year is due, the excess contributions are subject to a 6 percent excise tax for each year the excess amount remains in the account.

### **Q7: May contributions other than cash be made to a child's Education IRA?**

A7: No. Education IRAs are permitted to accept contributions made in cash only.

### **Q8: May contributors take a deduction for contributions made to an Education IRA?**

A8: No.

### **Q9: Are there any restrictions on who can contribute to an Education IRA?**

A9: Generally, any one individual can contribute to an Educational IRA if their MAGI is under \$110,000 (\$220,000 for individuals filing joint returns. Your Contribution limit may be reduced if your MAGI is between \$95,000 and \$110,000, between \$190,000 and \$220,000 if filing a joint return (please refer to IRS publication 970). If your MAGI is over \$110,000 (\$220,000 if filing a joint return) then you can not contribute to anyone's Education IRA

### **Q10: May a child contribute to his/her own Education IRA?**

A10: Yes.

### **Q11: Does a taxpayer have to be related to the designated beneficiary in order to contribute to the designated beneficiary's Education IRA?**

A11: No

# Educational IRA

## **Q12: How many Education IRAs may a child have?**

A12: There is no limit to the number of Education IRAs that may be established designating a particular child as beneficiary. However, in any given taxable year the total aggregate contributions to all the accounts designating a particular child as beneficiary may not exceed \$2,000.

## **Q13: May a designated beneficiary take a tax-free withdrawal from an Education IRA to pay qualified higher education expenses if the designated beneficiary is enrolled less than full-time at an eligible educational institution?**

A13: Yes. Whether the designated beneficiary is enrolled full-time, half-time, or less than half-time, he/she may take a tax-free withdrawal to pay qualified higher education expenses.

## **Q14: What happens when a designated beneficiary withdraws assets from an Education IRA to pay for college?**

A14: Generally, the withdrawal is tax-free to the designated beneficiary to the extent the amount of the withdrawal does not exceed the designated beneficiary's qualified higher education expenses.

## **Q15: What are "qualified higher education expenses"?**

A15: "Qualified higher education expenses" mean expenses for tuition, fees, books, supplies, and equipment required for the enrollment or attendance of the designated beneficiary at an eligible educational institution. Qualified higher education expenses also include amounts contributed to a qualified state tuition program. Qualified higher education expenses also include room and board (generally the school's posted room and board charge, or \$2,500 per year for students living off-campus and not at home) if the designated beneficiary is at least a half-time student at an eligible educational institution. The standards for determining whether a student is enrolled at least half-time are the same as those used for the Hope Scholarship Credit. (See Sec. 1, Q&A3.)

## **Q16: What is an eligible educational institution?**

A16: An eligible educational institution is any college, university, vocational school, or other postsecondary educational institution that is described in section 481 of the Higher Education Act of 1965 (20 U.S.C. 1088) and, therefore, eligible to participate in the student aid programs administered by the Department of Education. This category includes virtually all accredited public, nonprofit, and proprietary postsecondary institutions. (The same eligibility requirements for institutions apply for the Hope Scholarship Credit, the Lifetime Learning Credit, and early withdrawals from IRAs for qualified higher education expenses.) (See Sec. 1, Q&A4, Sec. 2, Q&A3, and Sec. 4, Q&A2.)

## **Q17: What happens if a designated beneficiary withdraws an amount from an Education IRA but does not have any qualified higher education expenses to pay in the taxable year he/she makes the withdrawal?**

A17: Generally, if a designated beneficiary withdraws an amount from an Education IRA and does not have any qualified higher education expenses during the taxable year, a portion of the distribution is taxable. The taxable portion is the portion that represents earnings that have accumulated tax-free in the account. The taxable portion of the distribution is also subject to a 10 percent additional tax unless an exception applies.

## **Q18: Is a distribution from an Education IRA taxable if the distribution is contributed to another Education IRA?**

A18: Any amount distributed from an Education IRA and rolled over to another Education IRA for the benefit of the same designated beneficiary or certain members of the designated beneficiary's family is not taxable. An amount is rolled over if it is paid to another Education IRA on a date within 60 days after the date of the distribution. Members of the designated beneficiary's family include the designated beneficiary's children and their descendants, siblings and their children, parents and grandparents, stepparents, and spouses of all the foregoing. The \$2,000 annual contribution limit to Education IRAs does not apply to these rollover contributions. For example, an older brother who has \$2,000 left in his Education IRA after he graduates from college can roll over the full \$2,000 balance to an Education IRA for his younger sister who is still in high school without paying any tax on the transfer.

## **Q19: What happens to the assets remaining in an Education IRA after the designated beneficiary finishes his/her postsecondary education?**

A19: There are two options. The amount remaining in the account may be withdrawn for the designated beneficiary. The designated beneficiary will be subject to both income tax and the additional 10 percent tax on the portion of the amount withdrawn that represents earnings if the designated beneficiary does not have any qualified higher education expenses in the same taxable year he/she makes the withdrawals. Alternatively, if the amount in the designated beneficiary's Education IRA is withdrawn and rolled over (as described in Q&A18 of this section) to another Education IRA for the benefit of a member of the designated beneficiary's family, the amount rolled over will not be taxable.

## **Q20: Rather than rolling over money from one Education IRA to another, may the designated beneficiary of the account be changed from one child to another without triggering a tax?**

A20: Yes, provided: (1) the terms of the particular trust or custodial account permit a change in designated beneficiaries



## Educational IRA

(each trustee or custodian will control whether options like this one are available in the accounts they offer), and (2) the new designated beneficiary is a member of the previous designated beneficiary's family. (See Q&A18 in this section).

**Q21: May a student or the student's parents claim the Hope Scholarship Credit or Lifetime Learning Credit for the student's expenses in a taxable year in which the student receives money from an Education IRA on a tax-free basis?**

A20: No. If a student is receiving a tax-free distribution from an Education IRA in a particular taxable year, none of that student's expenses may be claimed as the basis for a Hope Scholarship Credit or Lifetime Learning Credit for that year. However, the student may waive the tax-free treatment of the Education IRA distribution and elect to pay any tax that would otherwise be owed on an Education IRA distribution so that the student or the student's parents may claim a Hope Scholarship Credit or Lifetime Learning Credit for expenses paid in the same year the Education IRA distributions are received.

**Q22: May contributions be made to both a qualified state tuition program and an Education IRA on behalf of the same designated beneficiary in the same taxable year?**

A22: No. Any amount contributed to an Education IRA on behalf of a designated beneficiary during any taxable year in which an amount is also contributed to a qualified state tuition program on behalf of the same beneficiary will be treated as an excess contribution to the Education IRA (See Q&A6 in this section for the treatment of excess contributions).

**Form 5305ea as well as IRS Publication 970**

**can be found at [www.irs.gov](http://www.irs.gov)**



## Simple IRA

A Savings Incentive Match Plan for Employees ( a “SIMPLE” Plan) can be considered by an employer, including a governmental or tax exempt employer, with less than 100 total employees who earned \$5,000 in the preceding year (regardless of their eligibility to participate) who does not maintain another employer-sponsored retirement plan, tax sheltered annuity (TSA) plan or simplified employee pension (SEP) plan. Related employers must be aggregated for all purposes, including eligibility to adopt a SIMPLE Plan and coverage of employees. Each employee must be permitted to choose whether to have the employer make contributions under the plan or receive those payments directly in cash. Under a SIMPLE plan, employees can make salary reduction deferrals toward their retirement and the employer must either match those contributions or make its own non-elective contributions. If an eligible employer maintains a SIMPLE Plan for at least one year and later ceases to meet the above requirements, it may continue to maintain the plan for two additional years after the last year it was eligible. A SIMPLE Plan can take the form of a SIMPLE IRA Plan or a SIMPLE 401(k) Plan. A SIMPLE IRA Plan must be maintained on a calendar year basis and must be effective on or before October 1 of its year of adoption (or, if later, upon formation in the case of a newly-formed employer).

### Summary

This Summary is intended to provide general information about the Plan. However, the details of the form and features of the Plan are provided in the Plan documents (IRS Forms 5305-SIMPLE, 5305-SA and Publication 590) and the IRA Disclosure Statement, also included in this booklet. In the event of any discrepancies between this Summary and the Plan documents, the Plan documents shall control.

### Employee Accounts

Under a SIMPLE IRA Plan, contributions are made to separate IRAs for each employee. All monies invested in an employee’s SIMPLE IRA are the employee’s. The SIMPLE IRA established by or for an employee is the employee’s account.

### Participation

The plan must cover all eligible employees, as specified in the Plan document. Employees (including leased employees and self-employed individuals who receive earned income from the employer) who have received at least \$5,000 (or a lesser amount selected by the employer) in compensation from the employer, including elective deferrals under a 401(k) plan, SARSEP plan and 403(b) plan, during any 2 (or a lesser number selected by the employer) calendar years prior to the current year and who are reasonably expected to earn \$5,000 (or such lesser amount selected by the employer) during the current year must be permitted to make the salary reduction election and, if chosen by the employer, must be allocated a non-elective contribution, regardless of age or period of service. The Plan may, however, exclude certain employees covered by collective bargaining agreements, airline pilots and certain non-resident aliens. The employer is required to notify each employee of his or her opportunity to participate in the Plan immediately prior to 60 days before he or she becomes eligible. An employee may terminate participation in the Plan at any time during the year, but the Plan may provide that such employee will not be eligible to resume participation until the next Plan Year. An employee who participates in another plan of a different employer may still participate in a SIMPLE-IRA plan, but his or her total salary reduction deferrals for each year to all plans combined will be subject to a limit of \$16,500 (as adjusted for inflation in years beginning after 1999) per year. The employee is responsible for monitoring compliance with this and other applicable limitations so as to not be subject to the 10% penalty imposed on excess salary reduction contributions. An employee who participates in a SIMPLE-IRA Plan is considered an active participant in a qualified plan who is, therefore, subject to the limitations on deductions for contributions to a traditional IRA.



## Simple IRA

### Tax Advantages

Contributions to the Plan are income tax deductible for the employer up to 15% of total compensation paid to its employees and are not currently taxable as income to the employee. Salary reduction contributions are, however, subject to Social Security and federal unemployment taxes. The amounts contributed will grow tax-deferred until they are withdrawn from the account.

### Contributions

Contributions are made directly to each eligible employee's SIMPLE IRA. Only employee salary reduction deferrals, matching contributions and employer non-elective contributions are permitted to be made to a SIMPLE IRA. All amounts contributed to the employees' SIMPLE IRA account are fully vested (i.e., owned by the employee) immediately.

### Salary Reduction Contributions

An eligible employee may elect to have his or her employer reduce his or her compensation and contribute that amount to his or her SIMPLE IRA by entering into a "qualified salary reduction agreement" with his or her employer. An arrangement does not meet the requirements of a "qualified salary reduction arrangement" if the employer (or its predecessor) maintains another qualified plan under which contributions were made or benefits accrued for service during any year in which the SIMPLE-IRA plan was in effect. An employee must be allowed to enter into such an agreement or change his or her salary reduction deferral (i) during a 60-day period preceding the first day of eligibility, and (ii) during the 60-day period preceding the beginning of each calendar year, or more often if permitted by the Plan. Salary reduction contributions must be made by the employer as early as they can reasonably be segregated, but not later than 30 days after the end of the month in which the money is withheld from the employee's compensation. The amount of salary reduction contributions on behalf of an employee is limited by law to \$11,500 per year (adjusted for inflation in years after 1997). After 2001, individuals who will be at least 50 years old by the end of the year can make additional "catch-up" contributions to SIMPLE IRAs.

### Employer Contributions

The employer may make contributions that match the salary reduction contributions made on behalf of each employee ("matching contributions") or the employer may make non-elective contributions in proportion to each employee's compensation. Compensation for this purpose includes wages, salary reduction deferrals under this and any Section 457 retirement plan permitting such deferrals, or net earnings from self-employment in the case of a self-employed individual. Employer contributions may be made at any time during the Plan Year or by the due date for the employer's tax return, with extensions.

### Matching Contributions

If the employer makes matching contributions for the year, they must match the employee's salary reduction contribution on a dollar for dollar basis up to a limit of 3% of the compensation of each employee for whom salary reduction contributions have been made. The employer may make matching contributions up to a lower percentage (not less than 1%) of such compensation for the year, provided that the 3% level is contributed (or non-elective contributions are made) in at least 3 of every 5 years, and further provided that the employer notifies each employee within a reasonable period of time prior to 60 days before the beginning of the year that the matching contributions will be limited to a lesser percentage of compensation.

### Non-elective Contributions

If the employer chooses to make non-elective contributions for the year, it must



## Simple IRA

contribute 2% of the first \$200,000 (for the years beginning with 2002) of each eligible employee's compensation to his or her SIMPLE IRA regardless of whether the employee has entered into a salary reduction agreement. Again, the employer must notify each employee of its decision to make non-elective contributions within a reasonable period of time prior to 60 days before the beginning of the year. The employer may limit such contributions to eligible employees who have at least \$5,000 (or a lesser amount selected by the employer) of compensation for the year.

### Withdrawals

Because many restrictions and potentially adverse consequences apply to withdrawals, the employee should consult with a competent tax adviser prior to making any withdrawal from the SIMPLE IRA. Withdrawals are generally governed by the same rules applicable to traditional IRAs. They are subject to income tax. Withdrawals prior to age 59½, unless made due to death or disability, will generally result in a penalty, which varies depending upon the employee's length of participation in the Plan. If an employee makes a withdrawal during the two-year period beginning on the first day contributions are deposited in his or her SIMPLE IRA, a 25% penalty is imposed. Otherwise, a 10% early withdrawal penalty applies.

An employee may roll over or request a direct transfer of contributions made to a SIMPLE IRA, including earnings thereon, to another SIMPLE IRA at any time, without cost or penalty. If an employee is over age 59½, he or she may roll over or request a direct transfer of the amount in his or her SIMPLE IRA to a traditional IRA at any time. A employee under age 59½ cannot roll over or request a direct transfer of his or her SIMPLE IRA to a traditional IRA until after the two year period referred to above.

The Plan documents and the Prospectus contain the procedures for requesting a withdrawal or direct transfer.

### IRS Approval

American Growth Fund, Inc. utilizes IRS Form 5305-SIMPLE for its Plan document and IRS Form 5305-SA for its Custodial Account Agreement. Neither of these documents require IRS approval.

## Employer's Procedures for Establishing an American Growth Fund, Inc. SIMPLE IRA Plan

An employer can establish an American Growth Fund SIMPLE IRA Plan by completing all of the following:

- 1) Completing and signing IRS Form 5305-SIMPLE and delivering a copy of it to American Growth Fund, Inc.'s Custodian. The SIMPLE Plan is considered adopted when the employer has completed all appropriate boxes and blanks and made all desired selections on the Form 5305-SIMPLE and it is then executed by both the employer and American Growth Fund, Inc.'s Custodian. The employer retains a copy of this form; it is not filed with the IRS.
- 2) Having American Growth Fund IRAs established by or for all employees using IRS Form 5305-SA. Be sure to provide each employee with the IRS Form 5305-SIMPLE as completed by the employer and the American Growth Fund, Inc. Individual Retirement Account Booklet which contains IRS Form 5305-SA, a summary of the SIMPLE IRA Plan and an IRA Disclosure Statement. The employee's account must be designated as a SIMPLE IRA. This is accomplished by checking the "SIMPLE IRA" box under the "Type of Account" section on the American Growth Fund IRA Application and Agreement, and completing IRS Form 5305-SA.

## Simple IRA

3) Having all employees' completed and signed IRS Forms 5305-SA and the American Growth Fund Inc. IRA Application and Agreement Form returned to the employer. This is important because it is the employer's way of ensuring that all eligible employees have completed their applications establishing SIMPLE IRAs. If an employee does not establish a SIMPLE IRA, the employer may establish a SIMPLE IRA for the employee.

4) Sending to American Growth Fund, Inc. all employees' completed, manually signed IRS Forms 5305-SA and the American Growth Fund, Inc. IRA Application and Agreement Form together with the completed and signed IRS Form 5305-SIMPLE.

5) Notifying all eligible employees that they are eligible to make salary reduction contributions to the employer's SIMPLE Plan. A model notification is included with Form 5305-SIMPLE.

6) Having each eligible employee who chooses to do so enter into a Salary Reduction Agreement with the employer. A sample Salary Reduction Agreement is provided as a part of IRS Form 5305-SIMPLE. However, the employer may prefer to provide its own form instead, provided it meets the requirements of a "qualified salary reduction arrangement".

7) Providing each eligible employee with the opportunity to complete the Designation of Beneficiary Form found in this booklet, to be filed with the Custodian.

Each check from the employer representing contributions to the Plan should be made payable to the Custodian listed on the back of this booklet, and transmitted to the Custodian in Care of American Growth Fund, Inc., 1636 Logan Street, Denver, Colorado 80203, with the following information:

a) Employer's name, address, telephone number and name of the person to call in case we have any questions.

b) Each eligible employee's name, Social Security Number and account number, together with the amount of salary reduction contribution, amount of employer matching contribution and/or employer non-elective contribution to be allocated to that eligible employee.

Upon receipt of the first transmittal, the custodian establishes accounts for each employee. It is strongly encouraged that the employer provide each employee's American Growth Fund, Inc. SIMPLE IRA Account number on subsequent transmittals to ensure that investments are applied to the correct employee account. The employee could have more than one American Growth Fund, Inc. account, including more than one IRA.

(Note: Each IRA has a \$20.00 prepaid annual custodial fee. In order to meet IRS requirements that a SIMPLE IRA be established for all eligible employees, the employer should remit the first year's fee for all employee accounts established. After the first year, if the custodial fee is not prepaid annually, it is automatically deducted from the assets of the employee's SIMPLE IRA).

<b>Sample Remittance</b>				
(To be accompanied by one check)				
Employer's Name (or Letterhead): <u>Mr. Aplus</u>				
Name of Contact Person at Employer: <u>Molly Appleton</u>				
Employer Phone Number: ( ) _____				
Employee Name	Social Security Number	American Growth Fund Account Number	Employer Contribution Amount	IRA Custodial Fee Payments (Once Per Year Prior to Dec. 1st)
J. Jones	123-45-6789	222222222222	\$ 2,000.00	\$ 20.00
M. Finley	234-56-7890	333333333333	1,500.00	20.00
A. Bigby	345-67-8901	444444444444	20,000.00	20.00
Total Funds Remitted			\$ <u>23,560.00</u>	



# Simple IRA

## Employer's Procedures for Maintaining a SIMPLE Plan

- 1) Within a reasonable time prior to 60 days before an employee becomes eligible to participate in the Plan, he or she should be given a copy of the American Growth Fund, Inc. SIMPLE IRA Plan and be specifically notified in writing of the following:
  - a) That a SIMPLE IRA Plan has been established.
  - b) That the employee is eligible to participate in the Plan and make salary reduction contributions pursuant thereto.
  - c) That a SIMPLE IRA for the employee needs to be established.
- 2) A statement of salary reduction contributions and employer contributions must be given to each employee annually. This requirement may be satisfied by reporting those amounts on the employee's IRS Form W-2 for the year.
- 3) The employer must maintain the following records:
  - a) The employer's manually signed IRS Form 5305-SIMPLE.
  - b) Records reflecting salary reduction contributions and employer contributions, showing the amounts thereof and instructions given to the Custodian relating thereto.

**Form 5305-SIMPLE as well as IRS Publication 590**

**can be found at [www.irs.gov](http://www.irs.gov)**

# Simple IRA

## AMERICAN GROWTH FUND, INC. SIMPLE IRA Custodial Account Sample Salary Reduction Agreement

I, \_\_\_\_\_ (please print your name here), hereby request that my compensation from \_\_\_\_\_ (please print the name of your employer here) (hereinafter referred to as "Employer") be reduced effective the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ in the following respects only:

1. Instead of the Employer paying my full compensation directly to me, an amount of \$ \_\_\_\_\_ per \_\_\_\_\_ shall be paid to the Custodian designated in American Growth Fund, Inc.'s ("Fund") currently effective prospectus for investment in a SIMPLE IRA custodial account (the "Custodial Account"), naming me as the owner with my having the right to designate the beneficiary. The remainder of any compensation shall be paid directly to me, subject to such withholdings as presently or otherwise hereafter required by law or agreed to by me.
2. This Agreement will apply to compensation earned by me beginning \_\_\_\_\_, 20\_\_\_\_. I understand that this Agreement will be effective thereafter so long as I am employed by the Employer and until I advise the Employer in writing of my desire to amend this Agreement for compensation not yet earned. Nothing herein will be construed to obligate the Employer to continue my employment or alter in any other respect the terms of my employment with the Employer.
3. I release the Employer from any and all claims, actions, or suits, in tort or contract, in the event I should fail to qualify as an employee eligible to establish a SIMPLE IRA custodial account, or in the event the payments made to the Custodian are not properly applied, or in the event the amount of payments made to the Custodian pursuant to this Agreement result in an "excess contribution" as defined by the Internal Revenue Code and regulations thereunder. All payments made by the Employer to the Custodian are not to be paid until the compensation has been earned. In the event of the levy of a writ in garnishment or attachment upon any part of my compensation by any court of competent jurisdiction, then payment by the Employer pursuant to this Agreement shall not be made by the Employer until the court has ordered the release of that portion of my compensation from the garnishment or attachment proceedings.

Date: \_\_\_\_\_ Signed: \_\_\_\_\_  
Participant's Signature

Accepted and agreed to this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

Name of Employer \_\_\_\_\_

By \_\_\_\_\_  
Authorized Signature and Title



# Simplified Employee Pension Plan

A Simplified Employee Pension Plan (a “SEP” Plan) can be considered by any employer, provided it does not currently maintain another qualified retirement plan, it has never maintained a defined benefit plan and it does not use the services of leased employees. Related employers must be aggregated for all purposes, including eligibility to adopt a SEP Plan and coverage of employees. Under a SEP Plan, employees cannot make salary reduction deferrals, unless the plan was established prior to 1997 as a Salary Reduction Simplified Employee Pension (SAR-SEP) Plan. Employer contributions under a SEP Plan are made directly to each eligible employee’s SEP-IRA established by or for the employee pursuant to the Plan.

## Summary

This summary is intended to provide general information about the Plan. However, the details of the form and feature of the Plan are provided in the Plan documents (IRS Form 5305-SEP and 5305-A) and the IRA Disclosure Statement. In the event of any discrepancies between this summary and the Plan documents, the Plan documents shall control.

## Employee Accounts

Under a SEP Plan, contributions are made to separate IRAs for each employee. All monies invested in the employee’s SEP-IRA are the employee’s. The SEP-IRA established by or for the employee is the employee’s account.

## Participation

The Plan must cover all eligible employees, as specified in the Plan document. Employees who are at least 21 years old by the end of the plan year, have performed service for the employer in at least 3 years of the immediately preceding 5 years and whose total compensation is \$550 (as adjusted for inflation) or more for the year of participation must be permitted to participate. The Plan may exclude certain employees covered by collective bargaining agreements and certain non-resident aliens.

## Tax Advantages

Employer contributions are tax deductible for the employer and are not currently taxable to the employee. The amounts contributed will grow tax-deferred until they are withdrawn from the account.

## Contributions

Contributions may be made by the employer at any time during the Plan year or by the due date for the employer’s tax return, with extensions. Contributions may vary year by year and may be omitted for any given year(s) if the employer so elects. Contributions must be a uniform percentage of compensation up to \$245,000 (as adjusted for years beginning with 2002 for inflation) for all employees who have met the participation requirements for the current year, whether or not they are still employed at the end of that year or at the time the contribution is made for that year. If an employer contributes to a SEP-IRA, it does not affect the ability of an employee to contribute to his or her own IRA; however, the employee is considered an active participant in a qualified plan. Hence, the amount that is deductible by the employee for income tax purposes is subject to various limitations. All amounts held in the employee’s SEP-IRA are fully vested (i.e. owned by the employee) immediately and the assets of the account may be moved to another IRA at any time by either a direct transfer or by withdrawing the assets and rolling them over into another IRA within 60 days.

Annual contributions an employer makes to an employee’s SEP-IRA cannot exceed the lesser of: 1) 25% of compensation, or, 2) \$49,000 for 2009 and 2010 (subject to annual cost-of-living adjustments for later years).

# Simplified Employee Pension Plan

## Withdrawals

Withdrawals are generally governed by the same rules applicable to traditional IRAs. They are subject to income tax. Withdrawals made prior to age 59½, unless made due to death, disability or made pursuant to a qualified domestic relations order, may be subject to a penalty if not rolled over within 60 days. Because these and other rules apply to withdrawals, the employee should consult with a competent tax adviser prior to making any withdrawal.

For more information concerning withdrawals from an IRA, please refer to the Fund's Individual Retirement Account booklet. Because many restrictions and potential adverse consequences apply to withdrawals, the employee should consult with a professional tax adviser prior to making any withdrawals from the SEP-IRA.

## IRS Approval

An employer may not adopt this Plan using Form 5305-SEP if certain conditions apply which may be found under the INSTRUCTIONS TO THE EMPLOYER section of the Form under the heading, "When Not To Use Form 5305-SEP." American Growth Fund's SEP Plan utilizes the IRS model set forth in Form 5305-SEP. This Plan requires that all contributions be placed in an IRS model IRA or master or prototype IRA which has received a favorable IRS ruling. The American Growth Fund IRA utilizes the IRS model set forth in Form 5305-A, thereby qualifying it to receive SEP contributions under section 408(k) of the Code.

## Employer's Procedures for Establishing an American Growth Fund, Inc. SEP Plan

An employer can establish an American Growth Fund SEP Plan by completing all of the following:

- (1) Completing and signing IRS Form 5305-SEP and delivering a copy of it to American Growth Fund, Inc.'s Custodian. The SEP Plan is considered adopted when the employer has completed all appropriate boxes and blanks and made all desired selections on the Form 5305-SEP and it is then executed by both the employer and American Growth Fund, Inc.'s Custodian. The employer retains a copy of this Form; it is not filed with the IRS.
- (2) Having American Growth Fund IRAs established by or for all employees using IRS Form 5305-A. Be sure to provide each employee with the IRS Form 5305-SEP as completed by the employer and the American Growth Fund, Inc. Individual Retirement Account Booklet which contains IRS Form 5305-A and the IRS Disclosure Statement. The employee's account must be designated as a SEP-IRA. This is accomplished by checking the "SEP-IRA" box under the "Type of Account" section on the American Growth Fund IRA Application and Agreement and completing IRS Form 5305-A.
- (3) Having all employees' completed and signed IRS Forms 5305-A and the American Growth Fund, Inc. IRA application and Agreement Forms returned to the employer. This is important because it is the employer's way of ensuring that all eligible employees have completed their applications establishing SEP-IRAs. If an employee does not establish a SEP-IRA, the employer may establish a SEP-IRA for the employee.
- (4) Sending to American Growth Fund, Inc., all employees' completed, manually signed IRS Forms 5305-A and the manually signed American Growth Fund, Inc., IRA Application and Agreement Form, together with the completed and signed IRS Form 5305-SEP.
- (5) Providing each eligible employee with the opportunity to complete the Designation of Beneficiary Form found in this booklet, to be filed with the Custodian.

Each check from the employer representing contributions to the Plan should be made payable to the Custodian listed on the back of this booklet, and transmitted to the Custodian in care of American Growth Fund, Inc., 1636 Logan Street, Denver, Colorado 80203, with the following date and instructions:

- (A) Employer's name, address, telephone number and name of person to call in

# Simplified Employee Pension Plan

case we have any questions.

(B) The name and social security number of each eligible employee and the amount of money to be contributed to each employee's SEP-IRA.

Upon receipt of the first transmittal, the Custodian establishes accounts for each employee. It is strongly encouraged that the employer provide each employee's American Growth Fund, Inc.'s SEP-IRA account number on subsequent transmittals to ensure that investments are applied to the correct employee account. The employee could have more than one American Growth Fund, Inc. account, including more than one IRA.

(Note: Each IRA account has a \$20.00 prepaid annual custodial fee. In order to meet IRS requirements that all eligible employees establish a SEP-IRA, the employer should remit the first year's fee for all employee accounts established. After the first year, if the custodial fee is not prepaid annually, it is automatically deducted from the assets of the employee's SEP-IRA. There is no ongoing requirement to maintain SEP-IRA accounts for each employee to keep the Plan's tax sheltered status, only that an account be established for each eligible employee).

Sample Remittance (To be accompanied by one check)				
Employer's Name (or Letterhead): <u>Mr. Aplus</u>				
Name of Contact Person at Employer: <u>Molly Appleton</u>				
Employer Phone Number: ( ) _____				
Employee Name	Social Security Number	American Growth Fund Account Number	Employer Contribution Amount	IRA Custodial Fee Payments (Once Per Year Prior to Dec. 1st)
J. Jones	123-45-6789	222222222222	\$ 2,000.00	\$ 20.00
M. Finley	234-56-7890	333333333333	1,500.00	20.00
A. Bigby	345-67-8901	444444444444	20,000.00	20.00
Total Funds Remitted			\$ 23,560.00	

## Employer's Procedures for Maintaining a SIMPLE Plan

- 1) The employer must maintain the following records:
  - A. The employer's manually signed IRS Form 5305-SEP.
  - B. Employer contribution records, showing amounts and instructions to the custodian.
- 2) A statement of employer contributions must be given to the employee by the employer for each year employer contributions are made to the employee's SEP-IRA account. This requirement may be satisfied by reporting employer contributions on the employee's Form W-2 for the year.
- 3) Each new employee should be given a copy of the American Growth Fund, Inc. SEP booklet together with the American Growth Fund, Inc. IRA booklet.
- 4) Before a new employee becomes eligible to participate in the Plan, he or she should be notified in writing of the following:
  - A. That a SEP Plan has been established.
  - B. That the employee is eligible to participate in the Plan.
  - C. That a SEP-IRA for the employee needs to be established. (The employer may establish a SEP-IRA for the employee. The Employer may also require participation in the SEP Plan as a condition of employment.)

**Form 5305-SEP as well as IRS Publication 560**

**can be found at [www.irs.gov](http://www.irs.gov)**



1636 LOGAN STREET  
 DENVER, COLORADO 80203  
 800.525.2406  
 303.626.0600  
 303.626.0614 FAX

## Direct Transfer Authorization Form

Please print in black or blue ink only.

Full Name \_\_\_\_\_ Date of Birth \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_

Day Phone \_\_\_\_\_ Social Security Number \_\_\_\_\_

Current Trustee of Custodian \_\_\_\_\_ Funds Invested In \_\_\_\_\_

Address \_\_\_\_\_

Account Number \_\_\_\_\_ Current Account Number \_\_\_\_\_

**TO THE ABOVE-NAMED TRUSTEE OR CUSTODIAN:**

You act as the Trustee or Custodian for the retirement plan listed above. I hereby authorize and direct you to transfer the assets in said account as indicated below, within 30 days of the signature date, to the Custodian of my retirement plan account, UMB Bank, NA. Please send a copy of this letter with your transmittal of funds to:

**UMB Bank NA**  
**For American Growth Fund, Inc.**  
**1636 Logan Street**  
**Denver, CO 80203**

**TRANSFER INSTRUCTIONS (check one)**

- Convert to cash immediately \_\_\_\_\_ (all or \$ amount) of my assets and forward a check for the proceeds to UMB Bank NA.
- Convert to cash at maturity \_\_\_\_\_ (all or \$ amount) of my assets and forward a check for the proceeds to UMB Bank NA.  
 Maturity date \_\_\_\_\_. *Note: Maturity date must be within four (4) weeks of this request.*
- cash surrender the enclosed annuity contract(s) and forward the proceeds to UMB Bank NA.  
 If adding to an existing American Growth Fund account, please provide the account number and the name on account below:

Please add to account number: \_\_\_\_\_

Name: \_\_\_\_\_

UMB Bank NA has stated its willingness to accept funds transmitted by you to it as trustee or custodian for reinvestment in shares of American Growth Fund, Inc. in accordance with the amended plan by signature of its authorized officer on the bottom of this letter. Please furnish the undersigned with a closing statement and send a copy of such statement to the new custodian.

Please do not have an investment representative contact me. If you have any questions, please call American Growth Fund, Inc. at 800-525-2406.

\_\_\_\_\_  
 Individual's Signature (please sign exactly as your account is registered)

Acceptance of transmittal of funds agreed to by UMB Bank NA

\_\_\_\_\_  
 Guaranteed Signature (if required)

\_\_\_\_\_  
 By (Trust Officer)



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## Beneficiary Designation Form

Please print in black or blue ink only.

Participant's Name \_\_\_\_\_

Address \_\_\_\_\_

Home Phone \_\_\_\_\_ Work Phone \_\_\_\_\_

Social Security No. \_\_\_\_\_ Date of Birth \_\_\_\_\_

**DESIGNATION OF BENEFICIARY:** I hereby designate the following person or persons as beneficiary or beneficiaries to receive any amount which becomes distributable from my account by reason of my death.

Name of Primary Beneficiary/Beneficiaries	Date of Birth	Social Security Number	Relationship	Share %
1. _____	_____	_____	_____	_____
2. _____	_____	_____	_____	_____
3. _____	_____	_____	_____	_____

**FOR CONTINGENT BENEFICIARIES, YOU MAY CHOOSE ONE OF THE BELOW:**

- If any beneficiary named above does not survive me, I hereby designate the survivor(s) of the above-named beneficiary to receive such amount in the relative proportions shown under the column entitled "Share."
- If any beneficiary named above does not survive me, I hereby designate the following person or persons as contingent beneficiaries to receive such amount:

Primary Contingent Beneficiary/Beneficiaries	Date of Birth	Social Security Number	Relationship	Share %
1. _____	_____	_____	_____	_____
2. _____	_____	_____	_____	_____
3. _____	_____	_____	_____	_____

If more than one beneficiary is named, the amount distributed under the retirement plan to the beneficiaries will be divided equally between them unless otherwise indicated under the column entitled "Share". In the event a designated beneficiary does not survive the Participant and no contingent beneficiary is named, or if no beneficiary is designated for your account, your surviving spouse, if you have one, will be your beneficiary. If you do not have a surviving spouse, the beneficiary of your account will be your estate.

If additional space is needed, please attach a separate sheet of paper listing the designated beneficiaries and/or contingent beneficiaries.

PARTICIPANT'S SIGNATURE \_\_\_\_\_ Date \_\_\_\_\_

SPOUSE'S SIGNATURE \_\_\_\_\_ Date \_\_\_\_\_

*If you wish to name more beneficiaries, please write the detailed information onto a blank sheet of paper and attach it to this application.*

PLEASE CONSULT WITH YOUR PROFESSIONAL ADVISERS REGARDING COMPLETION OF THIS FORM.



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## Pre-Authorized Debit Form

Please print in black or blue ink only.  
 Please attach a voided check.

Full Name \_\_\_\_\_ Account Number \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_

Day Phone \_\_\_\_\_ Social Security Number \_\_\_\_\_

I wish to invest the following amount(s) in the following shares of the Fund:

Class A shares \$ \_\_\_\_\_ Class B shares \$ \_\_\_\_\_ Class C shares \$ \_\_\_\_\_

Class D shares \$ \_\_\_\_\_ Class E shares \$ \_\_\_\_\_ Class F shares \$ \_\_\_\_\_

on the \_\_\_\_\_ day of every  Month  Quarter  Other: \_\_\_\_\_

to:

Name of Bank \_\_\_\_\_ Date \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_

Bank account number \_\_\_\_\_

Signature(s) on bank account \_\_\_\_\_

*If two signatures are on the bank account then both parties must sign.*

Please honor debits from the account of the undersigned by World Capital Brokerage, Inc., 1636 Logan, Denver, CO 80203, to its own order and charge them to the checking account of the undersigned. Authority to do so shall continue until written notice is received by the bank from the undersigned revoking it, and the bank may terminate its participation in this arrangement by written notice to World Capital Brokerage, Inc. and to the undersigned. The undersigned agrees that the bank's right, with respect to each pre-authorized check, shall be the same as if it were a check drawn and signed by the undersigned. The undersigned further agrees that should any check be dishonored, with or without cause, intentionally or inadvertently, the bank shall be under no liability whatsoever. The bank's or the undersigned depositor's participation in the foregoing pre-authorized debit arrangement may be terminated by written notice from either party to the other and at least 30 days written notice to World Capital Brokerage, Inc.

### Indemnification Agreement

In consideration of your compliance with the request and authorization of the undersigned depositor, World Capital Brokerage, Inc. agrees:

1. To indemnify and hold you harmless from any loss you may suffer as a consequence of your actions resulting from or in connection with honoring any check, draft or order, received by you in the regular course of business under the foregoing pre-authorized debit arrangement including any costs or expenses reasonably incurred in connection therewith.
2. In the event that any such check, draft or order, shall be dishonored, whether with or without cause, and whether intentionally or inadvertently, to indemnify you for any loss, even though dishonor results in a failure to invest under the American Growth Fund, Inc. Investment Plan.
3. To defend at our cost and expense any action which might be brought by the undersigned depositor or any other persons because of your actions taken pursuant to the foregoing pre-authorized debit arrangement

/s/American Growth Fund Sponsors, Inc.

# SECURE Act of 2019

## IRA Disclosure Supplement

On December 20, 2019, President Trump signed into law the Setting Every Community Up for Retirement Enhancement (SECURE) Act of 2019. Many of the provisions contained within the SECURE Act are effective January 1, 2020.

Due to the extremely short timeframe between the bill's passage and the January 1, 2020 effective date for some of the bill's key IRA provisions, financial service providers are having to proceed in good faith with minimal guidance from federal regulators. It is anticipated that federal regulators will publish guidance soon concerning the changes brought about by the SECURE Act of 2019.

In the interim, this IRA Disclosure Supplement is being provided to notify you of recent changes made by the SECURE Act that are not yet reflected in your IRA Plan Agreement and Disclosure Statement. This Disclosure Supplement is intended to provide you with a general, high-level overview of the IRA changes included in the SECURE Act of 2019. Given the complexity of these changes and the near-term lack of federal guidance, we encourage you seek the assistance of a competent tax and/or legal professional if you have questions or concerns about how you may be affected by the SECURE Act of 2019.

### **Required Minimum Distributions Beginning at Age 72**

The SECURE Act of 2019 changes the age at which Traditional, SEP and SIMPLE IRA owners must begin taking required minimum distributions (RMDs).

#### Individuals Born **After** June 30, 1949

Under the SECURE Act of 2019, individuals born after June 30, 1949, must begin taking required minimum distributions at age 72. For these individuals, the deadline for taking the first required distribution is April 1 of the year following the year in which they turn age 72.

#### Individuals Born **Before** July 1, 1949

Individuals born before July 1, 1949, must begin required minimum distributions by no later than April 1 following the year in which they attain age 70½. Accordingly, Traditional, SEP and SIMPLE IRA owners who attained age 70½ during 2019 must take their first required minimum distribution by no later than April 1, 2020.

### **Traditional IRA Funding—Age 70½ Restriction**

The SECURE Act of 2019 eliminates the 70½ age restriction for funding a Traditional IRA.

#### 2020 Tax Year and Beyond

Under the SECURE Act of 2019, the age restriction on funding a Traditional IRA has been eliminated beginning with the 2020 tax year. For 2020 and later years, individuals who have earned income from working may continue to fund their IRA beyond age 70½.

#### Not Applicable for 2019 Carryback Contributions

While this change takes effect on January 1, 2020, the new rule DOES NOT apply to carryback contributions made for the 2019 tax year (i.e., individuals who are age 70½ or older during 2019 cannot make a Traditional IRA contribution for the 2019 tax year).

### **Penalty-Free IRA Withdrawals for Certain Births/Adoptions**

While taxable IRA withdrawals taken prior to age 59½ are typically subject to the IRS early withdrawal penalty, certain exceptions exist. Beginning January 1, 2020, a new penalty exception allows certain qualifying individuals to withdraw up to \$5,000 from an IRA (or other tax-qualified savings plan) before age 59½ in the case of a qualifying birth or qualifying adoption.

#### Qualified Birth or Adoption Distribution

To be considered a "Qualified Birth or Adoption Distribution", the distribution must be taken during the 1-year period beginning on the date on which a child of the individual is born or on which the legal adoption of an eligible adoptee is finalized.

#### \$5,000 Limit

The maximum amount any one individual can claim as a Qualified Birth or Adoption Distribution with respect to one child or one eligible adoptee is \$5,000, regardless of the number of IRAs and/or employer-sponsored retirement plans he/she owns.

### Eligible Adoptee

Under the new penalty exception, the term “Eligible Adoptee” generally means any individual who has not attained age 18 or is physically or mentally incapable of self-support.

### Rollover Option

In addition to claiming an exemption from the 10% early withdrawal penalty, individuals who take a Qualified Birth or Adoption Distribution have the option to re contribute (i.e., roll over) the distribution back into an IRA in the future.

### **Accelerated Withdrawals for IRA Beneficiaries**

Effective for deaths occurring on or after January 1, 2020, the SECURE Act of 2019 changes the withdrawal options for many nonspouse IRA beneficiaries. Under the SECURE Act of 2019, nonspouse beneficiaries of IRA owners who pass away on or after January 1, 2020, must generally withdraw all inherited IRA assets by December 31 of the year containing the tenth anniversary of the IRA owner’s death.

### Exceptions for Spousal Beneficiaries

The options available to spousal IRA beneficiaries are relatively unchanged under the SECURE Act. Spouse beneficiaries will still typically have the options of treating a decedent’s IRA as his or her own or of taking life expectancy distributions from the inherited IRA. In addition, spouse beneficiaries will now have the option—at least in some cases—of withdrawing the proceeds from a decedent’s IRA over a 10-year period.

### Exceptions for Certain Nonspouse Beneficiaries

While nonspouse beneficiaries of IRA owners who pass away on or after January 1, 2020 must generally withdraw all the inherited IRA assets within 10 years, there are exceptions for certain categories of nonspouse beneficiaries:

#### Children

A minor child beneficiary of the IRA owner who has not yet reached the age of majority at the time of the IRA owner’s death is generally eligible to take annual minimum distributions based on his/her own single life expectancy until reaching the age of majority. Once the child reaches the age of majority, such beneficiary will typically be required to withdraw the remaining balance of the inherited IRA within 10 years from when the child reaches the age of majority.

#### Disabled Individuals

A nonspouse beneficiary who meets certain statutory requirements to qualify as disabled will generally be eligible to take annual minimum distributions over his/her single life expectancy.

#### Chronically Ill Individuals

A nonspouse beneficiary who meets certain statutory requirements to qualify as chronically ill will generally be eligible to take annual minimum distributions over his/ her single life expectancy.

#### Beneficiaries Not More than 10 Years Younger than IRA Owner

A nonspouse beneficiary who is not more than 10 years younger than the IRA owner will generally be eligible to take annual minimum distributions based on his/her single life expectancy.

#### 5-Year Withdrawal Period for Some Non-Person Beneficiaries

While the SECURE Act of 2019 requires that most nonspouse beneficiaries withdraw all assets from an inherited IRA within 10 years of the death of the IRA owner, non-person beneficiaries (i.e., estates, charities, etc.), under certain circumstances, must withdraw IRA assets from a deceased IRA owner’s IRA within 5 years following the death of an IRA owner.

#### Special Rules for Trust Beneficiaries

Under the SECURE Act of 2019, the withdrawal requirements applicable in the case of a trust beneficiary vary widely depending on many factors including, but not limited to, whether all underlying beneficiaries of the trust beneficiary are considered “designated beneficiaries” according to statutory requirements and whether any of the underlying beneficiaries of the trust are considered chronically ill or disabled.

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#### Special Rules for Trust Beneficiaries

Under the SECURE Act of 2019, the withdrawal requirements applicable in the case of a trust beneficiary vary widely depending on many factors including, but not limited to, whether all underlying beneficiaries of the trust beneficiary are considered “designated beneficiaries” according to statutory requirements and whether any of the underlying beneficiaries of the trust are considered chronically ill or disabled.



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## American Growth Fund IRA Application and Agreement

Please print in black or blue ink and make check(s) payable to UMB Bank NA. We cannot accept any money orders, starter, counter or third party checks. If you have any questions or need assistance with this application, please feel free to call us at (800) 525-2406 anytime.

*This application must be accompanied with or preceded by a prospectus.*

### THE USA PATRIOT ACT

To help the government fight the funding of terrorism and money laundering activities, Federal Law requires all financial institutions to obtain, verify and record information that identifies each person who opens an account.

What this means to you: When you open an account we will ask you for your name, address, date of birth and other information that will allow us to identify you. This information will be verified to ensure the identity of all individuals opening a mutual fund account

**All fields must be completed and will be verified as required by the Patriot Act. If these fields are not completed, this application will be returned.**

Type of Account: (choose one)	<input type="checkbox"/> Traditional IRA	<input type="checkbox"/> Roth IRA	<input type="checkbox"/> SEP IRA
	<input type="checkbox"/> SIMPLE IRA	<input type="checkbox"/> Education Savings Account (ESA)	
Is this Account a: (choose one)	<input type="checkbox"/> Personal	<input type="checkbox"/> Spousal (complete spouse's information below)	
This is a:	<input type="checkbox"/> Transfer from existing IRA (note type of account above)		
	<input type="checkbox"/> Rollover IRA (from Qualified Plan Funds)		

Name (first, middle initial, last) \_\_\_\_\_

Social Security Number \_\_\_\_\_ Date of Birth \_\_\_\_\_

Street Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Daytime Phone \_\_\_\_\_ Extension \_\_\_\_\_ Evening Phone \_\_\_\_\_

Country of tax residence:  USA  Other: \_\_\_\_\_

Alien ID or Passport Number and Country of Issuance \_\_\_\_\_

*The Patriot Act requires a street address, APO or FPO. Post Office Boxes are not allowed.*

### Initial Investment

The Investor has deposited with the Custodian the following amount for investment in American Growth Fund, Inc. (the "Fund"): \$ \_\_\_\_\_

The Custodian charges an annual fee in the amount of \$20.00. You may, if you desire, pay this fee in advance when you establish your account. If you do not pay this fee in advance, the fee will be deducted from your account: \$ \_\_\_\_\_

Total amount remitted: \$ \_\_\_\_\_

-or-  
Direct Transfer from \_\_\_\_\_

I, being of legal age, wish to purchase: (choose one)

- Class A shares Fund  Class D shares Fund  
 Class B shares Fund  Class E shares Fund  
 Class C shares Fund  Class F shares Fund

of the Fund and establish an Investment Account as described in the Fund's current Prospectus. In the event that I am not eligible to purchase Class D shares, I understand that Class A shares will be purchased.

### Account Options

#### Rights of Accumulation

Reduced sales charge is based on cumulative dollar amount held in currently existing account(s) in accordance with the Fund's current prospectus. If you or "any person" as that term is defined in the Fund's current Prospectus, hold shares in Fund Account(s), please list these existing account numbers here:

1. \_\_\_\_\_ 2. \_\_\_\_\_

3. \_\_\_\_\_ 4. \_\_\_\_\_

#### Pre-Authorized Debits

Please fill out and return the Pre-Authorized Debit form on page 45 of this booklet along with a voided check.

### Beneficiary Designation

Please fill out and return the Designation of Beneficiary form.

## Type of Account

The proceeds are to be applied as follows.

### Traditional Personal IRA

Amount of Contribution \$ \_\_\_\_\_ for Contribution year \_\_\_\_\_. Unless you tell the Custodian which year your contribution is for, we will assume your contribution is for the current taxable year.

\$ \_\_\_\_\_ (deductible)      \$ \_\_\_\_\_ (nondeductible)

These amounts are for your reference only. It is the responsibility of the Participant to determine the deductible/nondeductible amount. The Custodian is not responsible for such reporting to the Internal Revenue Service.

### Roth IRA

Amount of Contribution \$ \_\_\_\_\_ For Contribution year \_\_\_\_\_. Unless you tell the custodian which year your contribution is for, we will assume your contribution is for the current taxable year.

### SIMPLE or SEP IRA

Your employer must adopt a Simplified Employee Pension ("SEP") in order to establish this type of account. Please provide us with the following information about your employer:

\_\_\_\_\_  
Name of Employer

\_\_\_\_\_  
Employer Address

\_\_\_\_\_  
Employer Telephone

### Education Savings Account

Amount of Contribution \$ \_\_\_\_\_ For Contribution year \_\_\_\_\_. Unless you tell the custodian which year your contribution is for, we will assume your contribution is for the current taxable year.

### A Transfer IRA

Please indicate the type of IRA transfer you are making below;

Direct Transfer - If you are transferring an IRA to American Growth Fund, Inc. directly from another custodian or trustee, please complete this application **and** a Transfer of Assets form obtainable by calling American Growth Fund, Inc. at (800) 525-2406.

If you have taken receipt of funds from an IRA at another institution and are enclosing a check for these funds, list the amount \$ \_\_\_\_\_.

### Rollover IRA

For a distribution from a qualified retirement plan. If you ever intend to return to an employer-sponsored plan, the proceeds should not be commingled with the voluntary contributions. For your records only, you may record the source of your rollover funds here:

You may establish both a Regular IRA account and a separate Rollover IRA account if you want to keep rollover amounts separate from voluntary contributions. Please complete a separate application form for each account. Additional applications are available by calling American Growth Fund, Inc. at (800) 525-2406.

Please indicate the type of rollover you are making below.

Direct Transfer - If you are transferring funds from a qualified plan to American Growth Fund, Inc. directly from the trustee of such plan, please complete this application **and** a Transfer of Assets form obtainable by calling American Growth Fund, Inc. at (800) 525-2406.

If you have taken receipt of funds from a qualified plan and are enclosing a check for the funds, list the amount \$ \_\_\_\_\_.

*If you have any questions regarding the tax consequences of a rollover, please consult your tax advisor.*

## Signature

By signing this application establishing an IRA, the undersigned (1) appoints UMB Bank NA, or its successors, as Custodian of the account, (2) states that he or she has received, read and accepts the Custodial Agreement and Disclosure Statement which are specifically incorporated by reference into this application, (3) acknowledges receipt of the Fund's current Prospectus, (4) consents to the Custodian's fee as specified in the Custodial Agreement, (5) agrees to promptly give instructions to the Custodian necessary to enable the Custodian to carry out its duties under the Custodial Agreement and (6) represents that whenever information as to any taxable year is provided to the Custodian by the individual, the individual will provide consistent information to the Internal Revenue Service as required.

The undersigned hereby ratifies any instructions given on this account and any account into which exchanges are made and acknowledges that neither the Fund, its agents nor UMB Bank NA will be liable for action upon such instructions (by telephone or in writing) believed to be genuine and in accordance with procedures described in the prospectus. Such entities will employ reasonable procedures to confirm that instructions communicated by telephone are genuine and may be liable for losses due to unauthorized or fraudulent instructions only if such procedures are not followed. Such procedures may include, among others, requiring personal identification prior to acting upon the telephone instructions, providing written confirmation of telephone transactions, and tape recording telephone conversations.

By signing below, I certify that I am of legal age and certify under penalties of perjury that (1) the Social Security Number provided above is correct and (2) the IRS has never notified me that I am subject to backup withholding, or has notified me that I am no longer subject to such backup withholding. (NOTE: If part (2) of this sentence is not true in your case, please strike out that part before signing.)

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

### For Broker Dealer use only

\_\_\_\_\_  
Dealer Name

\_\_\_\_\_  
Registered Rep Name and Number

\_\_\_\_\_  
Branch Office Telephone Number

\_\_\_\_\_  
Address

\_\_\_\_\_  
City State      Zip Code

\_\_\_\_\_  
Authorized Signature