



Qualified Retirement Plan Distribution Election Application

About Your Distribution. You are entitled to a distribution of the "vested" portion of your ending account balance as of the valuation date as of which your distribution is processed. Please consult with your third party administrator or employer if you have any questions about your vested balance. Only those distribution options listed on this Application are available to you. You will receive an IRS Form 1099-R from your third party administrator for any distribution you receive. Please retain the Form 1099-R for your tax records.

Important Information for Employees:

Incomplete Application. It is important that you complete all applicable sections of this application. If information is missing that is needed to process your distribution, the application may be returned to you which will delay the distribution process. Please review the attached information about IRA Rollovers and tax implications of distributions made from qualified plans, complete all of the information requested, sign and date the last page of this Application, and forward to your former employer. Employees must **complete steps 1, 2, & 3.**

Important Information for Employers/Plan Trustees:

Incomplete Application. The Department of Labor requires that you promptly complete this distribution request for your former employee. It is important that you complete all applicable sections of this application. If information is missing that is needed to process this distribution, the application may be returned to you which will delay the distribution process. Please return the original application to Azzad by mail. Employers must **complete step 4.**

Special NOTE to Employers and/or Trustees of Defined Benefit Plans & Commingled Profit Sharing Plans. If this is a commingled qualified plan, as a security measure, we cannot make a check payable to a third party entity. Our custodian will not make any exceptions. To request a check for such employee, this form **MUST** include your signature accompanied with a signature medallion guarantee which you may obtain from your local bank branch.

If have check writing privileges on your account, then you may return this form without a medallion signature guarantee. Once we receive it, we will notify you as to when you may forward a check payable to the third party designated by the employee on this form. Please let us know if you have any questions about this free check writing service.

Azzad Asset Management, Inc. 3141 Fairview Park Drive, Suite 460 Falls Church, VA 22042. If you have any questions, call us at (703) 207-7005 extension 119. Please allow 4-6 weeks for processing.

STEP 1: Tell Us About Yourself.

Legal Name (First, Middle and Last)	Social Security Number	Birth Date
Home Address (No P.O. BOXES ALLOWED)	Apt, Floor, Room No.	City State Zip Code
Daytime Phone Number	Alternate Phone Number (optional)	Email Address (optional)

STEP 2: Distribution Options. Please Select Only One Option.

If you would like to roll over your vested amount into an IRA Rollover account with us, please call us for additional information.

___ **Option A-Roll over my vested amount in the plan to my IRA Rollover account with Azzad. My Account Number is: _____.**

___ **Option B-Roll over my vested amount in the plan to my IRA Rollover or Employer Sponsored Plan account with another financial firm. I have established an account with another financial firm.** Your funds will be sent to you in the form of a check. You should deposit the check in your IRA account within 60 days to avoid penalties or taxes. If you fail to do so, you will incur tax consequences and penalties. New financial firm information:

Financial Firm Name

Telephone Number

Mailing Address (P.O. BOXES ALLOWED)

Apt, Floor, Room No.

City

State

Zip Code

Account Number

How should the check be made payable?

Option C-I elect to have a SINGLE SUM CASH DISTRIBUTION. Please pay my entire account balance to me and mail to my home address. Your funds will be sent to you in the form of a check. A mandatory 20% of your distribution will be withheld by your employer for tax purposes. Your employer will pay the withholding taxes on your distribution using IRS Form 945. Please note: You will owe taxes on the entire amount of the distribution including the mandatory 20% withholding amount. You may be subject to a 10% federal tax penalty for early withdrawal (and possible state tax penalties). Please read the attached information carefully before choosing this option.

STEP 3: Employee Signature. Required.

I attest that I have been provided with and read the information outlining the tax consequences of my eligible rollover distribution. I understand that if my vested account balance exceeds the plan's cashout limit (\$1,000), I must consent to receive my distribution by completing and returning this application before the distribution can be made. By submitting this application, I am authorizing Azzad Asset Management to liquidate the available funds in my account, if necessary, to process my distribution according to the elections I have made in this application. I further understand that if I fail to complete all the instructions explained in this application, my distribution may be placed on hold delaying the processing of my distribution.

I hereby certify that the information contained on this Application is complete and correct to the best of my knowledge. By signing below, I am consenting to all of the elections made in this Application and if I have not reached the normal retirement age under the plan (or age 62, if later) I consent to distribution at this time.

Employee Signature: _____ **Print Name:** _____ **Date:** _____

Required Notary:

STEP 4: Employer/Trustee Authorization.

I, _____, trustee on _____ (Plan Name) Account #RA _____, authorize Azzad Asset Management (and its broker, Foliofn Investments) to follow the above instructions on this form.

The check should be made payable as instructed above for the amount of \$ _____.

Trustee Signature: _____ **Print Name:** _____ **Date:** _____

If a commingled qualified plan such as defined benefit plan, required Medallion Signature Guarantee:

Medallion Signature Guarantee

Rollovers from Employer-Sponsored Retirement Plans

In general

A rollover is generally a transfer of assets from a retirement plan maintained by your former employer.

Rollovers from an employer-sponsored retirement plan can take one of four forms:

1. A transfer from your old retirement plan directly to an IRA trustee (this is a type of direct rollover)
2. A transfer from your old retirement plan to you, and then, within 60 days, from you to an IRA trustee (this is a type of indirect rollover)
3. A transfer from your old retirement plan directly to the trustee of the retirement plan at a new employer (this is a type of direct rollover)
4. A transfer from your old retirement plan to you, and then from you to the trustee of a retirement plan at a new employer (this is a type of indirect rollover)

If a rollover is done properly and all rules are followed, there will be no taxes or penalties imposed on the retirement plan distribution. In addition, a rollover encourages retirement savings by allowing you to continue tax-deferred growth of the funds in the IRA or new plan.

Which plans allow rollovers?

An employer-sponsored retirement plan generally must allow direct rollovers to be made from the plan, but does not have to allow rollovers to be made into the plan. You are generally able to roll over funds between qualified retirement plans, Section 403(b) plans, 457 plans (there are rollover restrictions on Section 457 plans maintained by nongovernmental tax-exempt organizations), and traditional IRAs.

What can be rolled over and what cannot be?

Rollovers consist of eligible distributions made to you from your vested interest in an employer-sponsored retirement plan. To find out about additional restrictions your plan may impose on rollovers, consult your plan administrator. You may not be able to roll over the entire balance in your retirement plan account. Rollovers cannot include:

- Required minimum distributions (to be taken after you reach age 70½ or, in some cases, after you retire)
- Amounts that would not be included in your gross income, such as after-tax contributions made by you (however, after-tax contributions can be directly rolled over from one qualified plan to another if the new plan separately keeps track of after-tax contributions and their earnings, and after-tax contributions can generally be rolled over from a qualified retirement plan to an IRA or to a 403(b) plan)
- Amounts that are required to be taken as substantially equal payments over 10 or more years, over your life expectancy as the plan participant, or over the joint life expectancy of you and your beneficiary
- Hardship withdrawals
- Retirement plan loans that are taxable because they exceed the allowable loan limit
- Life insurance coverage costs
- Dividends on employer stock
- Corrective distributions of excess 401(k) plan contributions and deferrals

Are partial rollovers permitted?

Yes. However, only the portion that is rolled over qualifies as an income-tax-free transfer of funds. The remainder that is distributed to you is treated as a taxable distribution, subject to federal (and possibly state) income tax and perhaps a premature distribution tax if you are under age 59½. For more information on the penalty, see Premature Distribution Rule.

Direct rollovers vs. indirect rollovers

Once you decide to roll over your retirement plan assets, you need to decide how the transfer will be made. Rollovers can be direct rollovers or indirect rollovers. The distinction is important because indirect rollovers can cost you a lot of money in some cases. A direct rollover is usually a better option.

Direct rollovers

Generally, you will want to arrange for a direct rollover rather than an indirect rollover when your retirement plan assets are moving to either another employer's retirement plan or an IRA.

As the name suggests, a direct rollover involves arranging for the transfer of your retirement plan assets directly from the old plan trustee to either:

- The trustee of a retirement plan maintained by a new employer
- The trustee of a new or existing IRA in your name

With a direct rollover, you never actually take receipt of the retirement plan funds. The funds go directly from the old plan trustee to the trustee of the IRA or new plan. For this reason, a direct rollover is often referred to as a trustee-to-trustee transfer. Direct rollovers have fewer tax complications, and you are not limited to moving the funds once a year (as is the case with indirect rollovers).

Indirect rollovers

With an indirect rollover, the trustee of your old retirement plan distributes the funds to you, and then you transfer them to the trustee of your IRA or to the trustee of another employer-sponsored retirement plan. There are some complications and potential pitfalls with indirect rollovers. In general, it is best to avoid indirect rollovers and utilize direct rollovers instead.

First, with an indirect rollover, the administrator of your old plan must withhold 20 percent of the distribution to you for federal income tax. This withholding requirement exists because the IRS is concerned that you may take the money as a taxable distribution rather than complete a timely, tax-free rollover to an IRA or another plan. Because of this possibility, the IRS simply assumes that the distribution will be a taxable distribution, not a tax-free rollover.

Here is the problem with the mandatory tax withholding for indirect rollovers: In order to complete a tax-free rollover, you must roll over 100 percent of the amount distributed to you from your old plan. This means that you need to have additional funds available to replace the 20 percent withheld at the time of distribution.

Tip: You will eventually get the 20 percent back as a credit for federal income tax withheld when you file your income tax return the following year.

Caution: If you do not make up the 20 percent with additional funds, the 20 percent withheld will actually be considered a taxable distribution. If you fail to complete the rollover within 60 days, the entire distribution may be treated as a taxable distribution. Further, if you are under age 59½ and do not qualify for an exception, you will be subject to a 10 percent federal premature distribution tax (and perhaps a state penalty, too).

Example(s): Carol's vested balance in her former employer's plan is \$100,000. Instead of arranging a direct rollover of funds from her old plan to her new employer's plan, Carol decides to do the rollover herself. Since it is an indirect rollover, her old plan administrator withholds 20 percent (\$20,000) for federal income tax. Carol receives a check for \$80,000. However, she must roll over \$100,000 (the entire balance of her old plan account) to avoid tax consequences. This means that Carol has to use \$20,000 of her own funds to make up the difference. Otherwise, if she rolls over only \$80,000, she will be subject to income tax (and perhaps penalties) on the \$20,000 shortfall.

With an indirect rollover, you may end up paying income tax (and perhaps penalties) on the entire distribution to be rolled over unless you roll over the amount of the plan distribution within 60 days (beginning with the date you received the funds) to a traditional IRA or another employer's plan.

The only real benefit of an indirect rollover is that you have the equivalent of a 60-day "loan" from your retirement plan. But there is always the danger of missing the 60-day deadline and becoming subject to income tax (and perhaps penalties) on the distribution. By using a direct rollover, you generally avoid this risk because the money never enters your hands. In addition, direct rollovers are not subject to the federal withholding requirement that applies to indirect rollovers.

Tip: The IRS is authorized to grant waivers on the 60-day rule in cases of "equity or good conscience, including casualty, disaster, or other events beyond the reasonable control of the individual subject to this requirement." Consult a tax advisor for further guidance.

Advantages of doing a rollover

A rollover is not a taxable distribution

A properly completed rollover (direct or indirect) is a tax-free transfer of assets, not a taxable distribution. This means that if you complete the rollover within 60 days of receiving the distribution and follow other federal rollover rules, you will not be subject to income tax or early withdrawal penalties on the money. You will not have to pay federal or state income tax on the money until you begin taking taxable distributions from the IRA or new plan. By that time, you may be retired and in a lower income tax bracket. Also, if you are 59½ or older when you take distributions, you will not have to worry about premature distribution penalties.

A rollover allows continued tax-deferred growth

When you do a rollover, you are simply moving your retirement money from one tax-favored savings vehicle to another. This allows the money to continue growing tax deferred in the IRA or new plan, with little or no interruption. Tax-deferred growth allows your retirement money to potentially grow more rapidly than it might outside an IRA or retirement plan. To understand why, consider the power of compounding. As your IRA or plan investments earn money, those earnings compound on top of your principal and any earnings that have already accrued. As this is happening, no tax is due while the funds remain in the IRA or plan. Depending on investment performance, the long-term effect on your savings can be dramatic. In most cases, this benefit is lost if you receive a distribution from your employer's plan and do not roll it over.

A rollover may be an option every time you leave a job

You may be able to roll over your vested benefits in a former employer's retirement plan every time you leave a job (whether voluntarily or involuntarily). You generally have the option of rolling over benefits from an old employer's plan to a new or existing traditional IRA (but not a Roth IRA). In addition, if you join another employer's retirement plan and the plan accepts rollovers, you can roll over your benefits from the old plan to the new plan. There is no limit on the number of rollovers from an employer-sponsored retirement plan you can do, which is an advantage for those who change jobs frequently.

Disadvantages of doing a rollover

You cannot revoke a rollover election

Once you have elected in writing to roll over your retirement plan benefits to an IRA or another plan and received payment, you typically cannot change your mind and revoke the election. If you do try to revoke it, you will generally be subject to income tax and penalties on all or part of the distribution. Before you elect the rollover option, be absolutely certain that this is what you want.

You cannot roll over certain amounts

As mentioned, you generally may not roll over any distribution that is not includible in your taxable income (direct rollovers of after-tax contributions from one qualified plan to another qualified plan and to a traditional IRA are permitted in some cases). Also, you cannot roll over amounts to be taken as required minimum distributions or as substantially equal payments.

An indirect rollover can be costly

If you are considering an indirect rollover, bear in mind the 20 percent mandatory withholding requirement. To complete the rollover, you must make up the 20 percent out of your own funds, or be subject to income tax and possibly penalties on the shortfall. This can be a problem if you do not have cash available to replace the 20 percent. Also, with an indirect rollover, you generally have only 60 days to complete the rollover. The 60-day period begins with the date on which you receive the distribution from the former employer's retirement plan. If you fail to complete the rollover within this time frame, all or part of the distribution to you will be taxable and perhaps penalized.

Loss of lump sum averaging and capital gain treatment

If you roll over all or part of a distribution from a qualified employer retirement plan into an IRA, neither that distribution, nor any future lump sum distribution you receive from the qualified plan, will be eligible for special 10-year averaging or capital gains treatment. See Lump Sum Distributions from Employer-Sponsored Retirement Plans.

How to do a rollover

1. Consult your tax advisor before selecting a rollover to make sure this is the right option for you. Rollovers can have a long-term impact on your retirement planning, as well as your tax liabilities.
2. Review the notice from your old plan administrator explaining the rollover rules, the direct rollover option, the consequences of an indirect rollover, the withholding rules, and the possible reduction or deferral of taxes.
3. Decide whether you want to do a direct rollover or an indirect rollover. Then, make the necessary arrangements with your old plan administrator, and the IRA custodian/trustee.
4. Make sure that a check (made out properly, and in the correct amount) is sent from your old employer's plan to the new IRA custodian, or you personally, depending upon the method of distribution you selected.
5. If you receive the funds personally, make sure that you roll over those funds within 60 days to an IRA or another employer's plan to avoid taxes and penalties. In general, you should avoid a distribution directly to you in order to avoid the 20 percent federal withholding requirement.

Types of rollovers: how to do it

How you accomplish a rollover depends upon the type of rollover you want to do.

Direct Rollover: Qualified Plan to Qualified Plan	You usually need to complete paperwork with the existing plan, indicating that a direct rollover is to be made and providing the name of the receiving plan administrator. The check must be made out to the trustee of the new plan, or to the new trustee for the benefit of you as the participant. If it's not, don't endorse it or deposit it. Have a new check prepared with the correct payee.
Direct Rollover: Qualified Plan to traditional IRA	You would fill out forms with the existing plan trustee, indicating that you want a direct rollover and naming the IRA custodian. You would also fill out forms with the IRA custodian. The check from your old plan must be made out to the IRA custodian, or to the new IRA custodian for the benefit of you as the

	participant. If it is not, do not endorse it or deposit it.
Indirect Rollover: Qualified Plan to Qualified Plan Qualified Plan to traditional IRA	This type of rollover should generally be avoided because you must make up the 20 percent mandatory withholding or be taxed, and perhaps penalized, on that 20 percent. (There is no mandatory withholding on funds coming out of an IRA.)

Income tax consequences of doing a rollover As discussed, a timely and properly completed rollover is treated as a tax-free transfer of retirement assets. However, if the rollover is not completed within 60 days, the portion of the distribution that is not rolled over will generally be treated as taxable income to you (excluding any after-tax contributions you made to your plan). In addition, if you are under age 59½ and do not qualify for an exception, you may be subject to a 10 percent federal premature distribution penalty tax on the distribution (and possibly a state penalty as well).

Qualified plan automatic rollover rule

Qualified retirement plans, Section 403(b) plans, and governmental 457(b) plans often contain a provision that requires the mandatory cash out of small benefits--generally vested benefits with a present value of \$5,000 or less--when an employee terminates employment before attaining the plan's normal retirement age. For distributions of more than \$1,000 made on or after March 28, 2005, plans must pay these mandatory distributions into an IRA established for the employee, unless the employee affirmatively elects to receive the payment in cash, or to roll it over into a different IRA or employer retirement plan. The rule doesn't apply to distributions to beneficiaries or alternate payees, to plan loan offset amounts, or to distributions that don't qualify as eligible rollover distributions.

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