

HARDSHIP WITHDRAWALS

A retirement plan may allow for hardship withdrawals if the distribution is both:

- Due to an **immediate and heavy financial need**
- Limited to the **amount necessary** to satisfy that financial need

A distribution is automatically considered to be necessary to satisfy an immediate and heavy financial need if all of the following requirements are met:

- The distribution is not greater than the amount of the immediate and heavy financial need, including amounts necessary to pay any taxes and penalties resulting from the distribution
- The employee certifies that they have no other sources to satisfy the immediate and heavy financial need

▶ WHAT QUALIFIES FOR A HARDSHIP WITHDRAWAL?

- Medical care expenses for the employee, the employee's spouse, dependents, or beneficiary
- Costs directly related to the purchase of an employee's principal residence (excluding mortgage payments)
- Tuition, related educational fees, and room and board expenses for the next 12 months of postsecondary education for the employee or the employee's spouse, children, dependents, or beneficiary
- Payments necessary to prevent the eviction of the employee from the employee's principal residence or foreclosure on the residence's mortgage
- Funeral expenses for the employee, the employee's spouse, children, dependents, or beneficiary
- Certain expenses to repair damage to the employee's principal residence due to unexpected events, such as fire, earthquake, or if a tree falls on the home. General repairs—like replacing an old roof—do not qualify
- If you live or work in a FEMA declared disaster area

▶ WHAT ACCOUNT BALANCES CAN BE WITHDRAWN?

The plan terms will describe what accounts are eligible for withdrawal. Most plans allow employee contributions, and amounts employees have rolled in to the plan, to be withdrawn on account of hardship. In general, safe harbor and other employer sources are not eligible for a hardship withdrawal, although a plan may allow distributions from these accounts.

▶ TAX TREATMENT

Hardship distributions are subject to income taxes (unless they consist of Roth contributions). In addition, they may be subject to an early withdrawal penalty of 10%.