

401(K) loans and withdrawals

A step-by-step process guide

Start here

1

First, ask yourself this question: **“Do you really need to use your 401(k) funds now?”**

-or-

“Are you currently 59 ½ years old or younger?”



Take a moment to consider other alternatives. Withdrawing money from your 401(k) has consequences that can cause financial harm down the road.

Are you older than 59 ½ and need information?



Sales Rep
Employee

Employees
other than
Sales Reps

2

If you choose to move forward, you have **two options**

a Hardship loan

You repay the amount you borrowed plus an interest rate of Prime Rate + 1%. Your payments are deposited into our 401(k) account.

Additionally, if you terminate employment with an outstanding loan, the outstanding balance must be paid in full within 30-days or it will be treated as a taxable distribution – likely subject to a 10% excise tax penalty.

b Hardship withdrawal

You withdraw money from your account and don't pay it back. You will end up income owing taxes on the amount, and likely, an additional 10% excise tax penalty.



Both hardship loans and withdrawals have limited availability.

For each, you must demonstrate and prove financial hardship. There are six qualified hardship reasons:

- Purchase of primary residence
- Avoid eviction / foreclosure
- Sudden / unexpected damage to home not covered by homeowners insurance.
- Medical bills not covered by insurance
- Tuition and related expenses for secondary education occurring over the next 12 months
- Funeral costs for qualifying relatives

Examples of hardship verification documentation:

- Recent mortgage closing documents
- Official / legal notice of foreclosure / eviction
- Medical bills and EOBs showing a current balance (after insurance coverage)
- Current tuition due statements
- Funeral home receipts
- Contractor estimates and proof of non-applicable insurance coverage

Note: ‘Damage to home’ must be a result of a sudden and unexpected incident (i.e. fire); this is often an act of nature (i.e. flood, tornado, hail storm). Replacing an old roof or other damage that is caused by normal wear is not acceptable.