

Taking a

HARDSHIP WITHDRAWAL

from Your 401(k)
Pension Plan



The NRECA 401(k) Pension Plan allows you to take hardship withdrawals from your account in certain situations where you have no other option available. If you are considering taking a hardship withdrawal from your account, be sure to consider the advantages and disadvantages of taking this type of withdrawal. Hardship withdrawals taken today will have an impact on the retirement savings you have available in the future, so you want to be sure this is the right option for you.

General Qualifications

According to regulations established by the Internal Revenue Service, the withdrawal must be necessary to satisfy “an immediate and heavy financial need.” The facts and circumstances specific to your request will be considered in determining whether the hardship withdrawal is necessary. Hardship withdrawal requests may be approved for the following reasons:

- Medical expenses (that fall under the definitions provided in Section 213 (d) of the Internal Revenue Code) incurred by you, your spouse, and/or your dependents
- College or graduate school payments for you, your spouse, children and/or your dependents, including tuition, related educational fees, and room and board expenses for the next 12 months
- Costs directly related to the purchase of your principal residence (excluding mortgage payments)
- Repair expenses for damages to your principal residence that would qualify for the casualty deduction under Section 165 of the Internal Revenue Code—generally, damages caused by fire, storm, or other casualty (determined without regard to whether the loss exceeds 10 percent of your adjusted gross income)
- Payments necessary to prevent eviction from or foreclosure on the mortgage for your principal residence
- Funeral expenses for your deceased parents, spouse, children and/or dependents

Do I have to take any other withdrawals first?

Yes. You must take all applicable withdrawals and loans that are available from any of your retirement or savings plans (this could include 401(k) plans or deferred compensation plans) before you are eligible for a hardship withdrawal.

Are all dollars in my 401(k) account eligible for withdrawal?

No. You may only withdraw dollars that you have contributed to your account (pre-tax and Roth). You may not withdraw any contributions made to your account by your employer or any earnings on your account.

How much can I withdraw?

The withdrawal cannot be more than the amount necessary to satisfy your financial need, plus any amount you need to pay any federal, state or local income taxes and penalties that will result from the withdrawal. The minimum withdrawal permitted is \$1,000.

Can I pay the hardship withdrawal back to my 401(k) Plan?

No. Unlike loans, hardship withdrawals are not repaid to your 401(k) Plan account. If you take a hardship withdrawal, your account balance is permanently reduced.

Does a hardship withdrawal affect my participation in the 401(k) Plan?

Yes. After you take a hardship withdrawal, you cannot contribute to or receive employer contributions to your 401(k) Plan for six months. However, mandatory contributions to a defined benefit plan (such as the RS Plan) and health plans (including a plan that is part of a Section 125 cafeteria plan) may continue.

What are the tax consequences?

Hardship withdrawals are included in gross income and subject to all applicable federal, state and local income taxes (unless they consist of designated Roth contributions). If you are under age 59 1/2, the withdrawal is also generally subject to the 10 percent early withdrawal penalty. Keep in mind that your withdrawal will probably need to include money to cover all applicable taxes and penalties—which may equate to approximately one-half of your withdrawal.

What documentation is required?

Copies of all documents that support your need for a hardship withdrawal should be attached to your request. For example: hospital or physician bills, tuition bills, purchase agreements, eviction notices, funeral expense sheets, insurance statements, etc.

Initiating a Hardship Withdrawal

If you think your situation may qualify for a hardship withdrawal, contact your benefits administrator or the Member Contact Center (866.673.2299, option 8) to discuss this option.



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