

Hardship Distribution Guidelines

What is a hardship distribution?

A hardship distribution is a withdrawal from a participant's elective deferral account made because of an immediate and heavy financial need, and limited to the amount necessary to satisfy that financial need. The money is taxed to the participant and is not paid back to the borrower's account.

What qualifies as a hardship?

Outlined below are the six qualifying reasons for a hardship withdrawal. In order to be approved for a hardship the participant will need to have proof of one of the reasons below and complete and sign the plan hardship withdrawal form. The withdrawal form is subject to the plan sponsor's approval.

- 1. Uninsured and unreimbursed medical expenses:** An Explanation of Benefits (EOB) form from your insurance carrier, or a copy of the letter from your HMO, detailing any out-of-pocket deductibles, co-payments or denial of coverage for services rendered.
- 2. Purchase of your principal residence:** A copy of the Purchase and Sale Agreement signed by both the Buyer and Seller, or a copy of the Construction Contract for new construction, and a copy of estimated closing costs.
- 3. Post-secondary education expenses:** A copy of the bill from the educational institution or a letter from the education institution (must be on the school's letterhead) attesting to the fact the student is enrolled for the next 12 months and providing the costs for tuition, room and board, and books.
- 4. To prevent eviction or foreclosure on your principal residence:** A notice of Eviction or Foreclosure in writing from the landlord or mortgage holder, including the amount in arrears that must be paid in order to avoid eviction or foreclosure.
- 5. Payments for funeral or burial expenses:** Copy of bill, invoice, or estimate from service provider for covered services, along with a written description of decedent's relationship to the employee.
- 6. Expenses for uninsured and unreimbursed casualty loss damage to your principal residence:** Copy of bill, invoice, or estimate for repairs from a contractor, along with a written description of the casualty and related damage.

For more information on 401(k) hardship distributions visit the IRS website:

<https://www.irs.gov/retirement-plans/hardships-early-withdrawals-and-loans>

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K03186M May 2019