

# Individual 401(k) Distribution Request Form

www.schwab.com 1-800-435-4000 (inside the U.S.) +1-415-667-8400 (outside the U.S.) 1-888-686-6916 (multilingual services)

**Clients of Investment Advisors:** Contact your advisor directly or call Schwab Alliance at 1-800-515-2157.

## 1. Account Holder Information (Required)

_____ Name <i>First</i>	_____ <i>Middle</i>	_____ <i>Last</i>
_____ Schwab Account Number	_____ Social Security Number	_____ Telephone Number

## 2. Employer Information (Required)

_____ Employer Name	_____ Employer Identification Number (EIN)
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## 3. Distribution Reason

Choose one.

- ☐ **Normal Retirement Age**  
Age 59½ or older
- ☐ **Termination of Employment**
- ☐ **In-Service Withdrawal: Two-Year Rule**  
Select for a withdrawal of vested Employer contributions (not including Elective Salary Deferrals) that have been in the Plan for at least two full Plan years (24 months). See Section 5.01(C)(1) of the Basic Plan Document.
- ☐ **In-Service Withdrawal: Five-Year Rule**  
Select for a withdrawal of vested account balance (not including Elective Salary Deferrals and allocable income) if you have participated in the Plan for at least five years (60 months). See Section 5.01(C)(1) of the Basic Plan Document.
- ☐ **Disability**  
Permanent disability within the meaning of IRS Section 72(m)(7). Consult your tax advisor.
- ☐ **Hardship**  
Select for Distribution Due to Hardship as described in the Basic Plan Document, Section 5.01(C)(2). Available only if your plan's Adoption Agreement permits hardship distributions. Note: Hardship distributions are not eligible for rollover.
- ☐ **Plan Termination**
- ☐ **Distribution of Rollover Contribution**  
This distribution reason is **only** for rollover assets or transferred assets that were previously rolled into this account. Caution: This is only a distribution reason for previously rolled over assets or transferred assets from an outside plan and does not allow for distributions of employer or salary deferral contributions from this account.
- ☐ **Death**

Attach the following documents and complete the recipient information requested below.

1. Certified copy of the death certificate
2. Individual 401(k) Account Application (You must first open an Individual 401(k) account in your name for tax reporting purposes.)
3. Inherited IRA Account Application (required if rolling over to a Schwab Inherited IRA)
4. If there are multiple beneficiaries, each beneficiary must complete a separate Individual 401(k) Distribution Request Form.

**Note:** Other documents may be required. Call Schwab Estate Distribution Services at 1-888-297-0244 to discuss your individual situation.

Name of Recipient *First* *Middle* *Last*

Home/Legal Street Address (no P.O. boxes)

City State Zip Code

Telephone Number Work Number Mobile Number

Date of Birth (mm/dd/yyyy) Social Security Number Relationship to Participant

Country(ies) of Citizenship (Must list each separated by a comma.)

☐ USA ☐ Other: \_\_\_\_\_

Country of Legal Residence (Select only one.)

☐ USA ☐ Other: \_\_\_\_\_

☐ **Qualified Domestic Relations Order (QDRO)**

Attach the following documents and complete the recipient information requested below.

1. Final QDRO
2. Individual 401(k) Account Application (The recipient must first open an Individual 401(k) account in their name for tax reporting purposes.)
3. Schwab IRA Account Application (if assets are to be rolled over to a new IRA at Schwab)

**Note:** Other documents may be required. Call Schwab Estate Distribution Services at 1-888-297-0244 to discuss your individual situation.

Name *First* *Middle* *Last*

Street Address (no P.O. boxes)

City State Zip Code

Telephone Number Date of Birth (mm/dd/yyyy) Social Security Number

Relationship to Participant Country of Citizenship (If other than U.S.A.)

Country of Legal Residence (If other than U.S.A.)

☐ **Excess Deferral**

Choose appropriate reason and enter deferral, earnings, and total amount to be distributed.

☐ **Prior Year**  
Code P—Deferral/Code 8—Earnings

☐ **Current Year**  
Code 8—Deferral/Code 8—Earnings

Enter excess deferral amount \$ \_\_\_\_\_ + Earnings \$ \_\_\_\_\_ = Total \$ \_\_\_\_\_

#### 4. Payment Options

You may request a lump-sum, partial, or periodic distribution from your Schwab Individual 401(k). **If you need to sell securities to complete a cash distribution, please do so before submitting this distribution form. If you have an Investment Advisor (IA), contact your Advisor to make your trade(s). All other clients may place your trades on Schwab.com at a discounted commission rate or call us at 1-800-435-4000 to place your trades with a broker.**

Are you requesting a direct rollover distribution from your Schwab Individual 401(k) account?

☐ Yes

☐ No

Choose one.

☐ Partial Payment \$ \_\_\_\_\_

☐ Periodic Payment

This option is available only for distributions of cash when the vested account balance is more than \$1,000.

Complete the following information:

I would like to schedule a periodic payment in the amount of \$ \_\_\_\_\_ to begin on \_\_\_\_\_  
(mm/dd/yyyy)

Frequency

☐ Monthly ☐ Quarterly ☐ Semiannually ☐ Annually

☐ Lump-Sum Payment (distribute entire balance)

**Note:** Your account will be closed upon distribution of your entire balance.

#### Investment Advisor Information Access (Optional)

Complete this section if you want your IA to have access to information about your account after you remove the account from your IA's management ("delink") or close it.

After delinking or closing the account, I authorize my IA to receive the information specified below, at IA's request (select all that apply):

☐ Tax reporting information produced for my account while my account was under IA's management through the end of the calendar year (yyyy) \_\_\_\_\_

☐ Account statements, beginning with the month that the IA began to manage my account, through the end of the calendar month (mm/dd/yyyy) \_\_\_\_\_

☐ Trade confirmations, beginning with the date that the IA began to manage my account, through (mm/dd/yyyy) \_\_\_\_\_

## 5. Payment Instructions

If you need to sell securities to complete a cash distribution, please do so before submitting this distribution form. If you have an Investment Advisor, contact your Advisor to make your trade(s). All other clients may place your trades on [www.schwab.com](http://www.schwab.com) at a discounted commission rate or call us at 1-800-435-4000 to place your trades with a broker.

Choose one.

☐ Distribute from my sweep money market fund balance.

☐ Transfer specific shares of securities.

List securities in the boxes below. Additional securities should be listed on a separate sheet of paper. Please allow approximately two weeks to process these distributions.

1. Name of Security		2. Name of Security	
	# of Shares		# of Shares
	or \$ Amount		or \$ Amount
3. Name of Security		4. Name of Security	
	# of Shares		# of Shares
	or \$ Amount		or \$ Amount
5. Name of Security		6. Name of Security	
	# of Shares		# of Shares
	or \$ Amount		or \$ Amount

**Note:** The value of the distribution (including securities) will be determined using the most recent market price received by Schwab when this form is processed.

## 6. Payment Method

Please tell us how you want to receive your payment. Choose one option.

☐ Directly deposit my distribution to my Schwab non-retirement account number: \_\_\_\_\_

☐ Mail my distribution

☐ To the address listed on my account

☐ To the address indicated in the "Distribution Reason" section

☐ To the address indicated below:

\_\_\_\_\_  
Street Address (no P.O. boxes)

\_\_\_\_\_  
City

\_\_\_\_\_  
State

\_\_\_\_\_  
Zip Code

☐ Direct Rollover

Choose one option from subsection A or B below and provide the information, as applicable.

If you choose a Direct Rollover option below, Section 7 does not apply.

**A. Participant and Spouse Beneficiary only:**

☐ Direct Rollover of an eligible distribution to my existing Schwab Traditional IRA or Qualified Retirement Plan

Account Number \_\_\_\_\_

☐ Direct Rollover of an eligible distribution to a new Schwab Traditional IRA

Complete and attach the Schwab IRA Account Application.

☐ Direct Rollover of an eligible distribution to my non-Schwab Traditional IRA or Qualified Retirement Plan account

## Type of Account

☐ IRA      ☐ Qualified Retirement Plan

Name on Account

Account Number

Institution Name

Phone Number of Institution

Institution Mailing Address (no P.O. boxes)

City

State

Zip Code

ABA Number

Name of Plan (if applicable)

## B. Non-Spouse Beneficiary only:

- ☐ Direct Rollover of an eligible distribution to a Schwab Inherited IRA  
Complete and attach the Schwab Inherited IRA Application.

- ☐ Direct conversion of an eligible distribution to my Schwab Roth IRA

Select One

- ☐ Convert to my existing Schwab Roth IRA account number: \_\_\_\_\_

- ☐ Convert to a new Schwab Roth IRA  
Complete and attach the Schwab IRA Account Application.

- ☐ Wire Transfer

You may be charged a wire transfer fee. Call 1-800-435-4000 for details.  
For clients of Investment Advisors, speak to your IA.

## Type of Account

☐ IRA      ☐ Qualified Retirement Plan

Name on Account

Account Number

Institution Name

Phone Number of Institution

Institution Mailing Address (no P.O. boxes)

City

State

Zip Code

ABA Number

Name of Plan (if applicable)

## 7. Tax Withholding Election

Complete this section only if you did not choose Direct Rollover.

Distributions are generally subject to federal (and possibly state) income tax. Even if you elect in writing not to have federal and/or state income tax withheld, you are liable for payment of federal tax and state income taxes, if applicable, on the taxable portion of your distribution. You may also be subject to tax penalties under the estimated tax payment rules if your withholding and payment of estimated tax, if any, are not adequate.

### Note:

- U.S. citizens who are foreign residents are subject to a 10% minimum withholding rate and cannot opt out of withholding.
- Non-resident aliens are subject to either a 30% withholding or the applicable tax treaty rate and must submit a valid IRS Form W-8BEN to obtain an available reduced tax treaty rate.

### A. Federal Income Tax Withholding

**20% Mandatory Withholding:** IRS regulations require Schwab to withhold 20% federal income tax from your distributions that are eligible to be rolled over, but are not. You cannot waive this withholding. Eligible rollover distributions are all distributions except the following: hardship distributions, Required Minimum Distributions (RMDs), or certain distributions that are part of a series of equal or almost equal periodic payments for a specified period of 10 years or more or that will last for your lifetime (or the joint lives of you and your beneficiary). Please refer to the Schwab QRP Distribution Notice for additional information.

**10% Withholding:** If the distribution is not an eligible rollover distribution, the 20% mandatory withholding does not apply. Instead, if you elect to withhold it must be at a rate of at least 10%.

Choose one:

☐ I do not want federal income tax withheld.

☐ I want federal income tax withheld at the rate of \_\_\_\_\_%.

Federal tax withholding must be a whole number, and at least 20%, unless it is an ineligible rollover distribution (e.g., an RMD where you can elect 10% or opt out of Federal Income Tax Withholding). Note: The total cannot be more than 99% when combined with state income tax withholding.

### B. State Income Tax Withholding

Refer to the State Income Tax Withholding Information sheet for specific information concerning your state's withholding rates.

State income tax withholding may be required from your distribution. In some cases, you may elect not to have withholding apply, or you may elect to increase the rate of withholding. In other cases, state income tax withholding is not available.

While Schwab makes every effort to obtain information about state tax laws from sources believed to be reliable, Schwab cannot guarantee the accuracy or timeliness of state tax withholding information because state tax laws are subject to constant change and interpretation. We recommend that you contact your tax advisor regarding your tax withholding elections, and to answer any questions that you may have. If you do not make an election and you do not have an election request on file, Schwab will apply withholding (if required) at the minimum rate based on your state of residency as determined by your legal address of record on your account at the time of payment.

Choose one:

☐ I do not want state income tax withheld.

☐ I want state income tax withheld at the rate of \_\_\_\_\_%. (Must be at least your state's minimum tax rate.)

**Note:** If you move between states with different withholding laws, Schwab will apply withholding (if required) at the rate you have provided above or at the minimum rate based on the laws for your new state of residency, whichever is greater.

## 8. Signatures

### A. Signature of Employer/Plan Administrator

As the Employer/Plan Administrator, I authorize Schwab to distribute Plan benefits from the Individual 401(k) account as indicated on this Distribution Request Form. I certify that the information I have provided in this Distribution Request Form is true and correct to the best of my knowledge; that I have provided the Participant (or other recipient) with a copy of the Individual 401(k) Distribution Notice; and that this distribution complies with the provisions of the Schwab Individual 401(k) and the Internal Revenue Code. If the "Qualified Domestic Relations Order (QDRO)" box is checked in Section 3, I further certify that I have determined that the domestic relations order pursuant to which this distribution is being made constitutes a qualified domestic relations order within the meaning of Section 414(p) of the Internal Revenue Code. If the "Death" box is checked in Section 3, I further certify that the recipient is entitled to the distribution under a valid beneficiary designation or, if none, under the applicable provisions of the Schwab Individual 401(k). I authorize Schwab to rely on the foregoing certification without further investigation or inquiry.

**X**

Signature: Employer/Plan Administrator

Today's Date (mm/dd/yyyy)

Print Name

**B. Signature of Plan Participant or Recipient**

I hereby consent to, and request payment from, the qualified retirement plan designated above in the manner indicated. In addition, if I am eligible to waive the notice requirements under Sections 402(f), 417(a)(3), and 411(a)(11) of the Internal Revenue Code, I hereby waive the 30-day notice period.

I certify that all information provided by me is true and accurate, and I agree to submit additional information if requested by the Employer/Plan Administrator, Schwab, or any Plan fiduciary. I have received the Individual 401(k) Distribution Notice and have read and understood the portions of it referenced in the sections I have completed in this Distribution Request Form. No tax advice has been given to me by either the Employer/Plan Administrator or Schwab. All decisions regarding this distribution are my own. I expressly assume the responsibility for any adverse consequences which may result from this distribution, and I agree that the Employer/Plan Administrator, Schwab, and any Plan fiduciary shall in no way be responsible for those consequences.

I authorize Schwab to distribute cash and/or securities from my Individual 401(k) account according to the elections made by me on this form and certify that (1) Under penalties of perjury, I declare that I have reviewed my elections on this form and, to the best of my knowledge and belief, they are true, correct, and complete; and (2) Schwab may rely on my elections and certifications without further investigation or inquiry.

I certify that the number shown on this application is my correct Taxpayer Identification Number.

**X**

\_\_\_\_\_  
Signature : Plan Participant or Recipient

\_\_\_\_\_  
Today's Date (mm/dd/yyyy)

\_\_\_\_\_  
Print Name

**9. Return Instructions\***

Return your completed form using any of the following methods:

- **Upload** online with secure messaging (if you are an existing client and have online access to your account).
  1. Go to [www.schwab.com](http://www.schwab.com) and log in to your account.
  2. Click Message Center (under Service), and then click Upload Document.
- **Fax** to 1-888-526-7252.
- **Bring** to your nearest Schwab branch (visit [www.schwab.com/branch](http://www.schwab.com/branch) for locations).
- **Mail** to any of the following addresses:

**Regular Mail (West)**

Charles Schwab & Co., Inc.  
P.O. Box 982600  
El Paso, TX 79998-2600

**Regular Mail (East)**

Charles Schwab & Co., Inc.  
P.O. Box 628291  
Orlando, FL 32862-8291

**Overnight Mail (West)**

Charles Schwab & Co., Inc.  
1945 Northwestern Drive  
El Paso, TX 79912

**Overnight Mail (East)**

Charles Schwab & Co., Inc.  
1958 Summit Park Dr., Ste. 200  
Orlando, FL 32810

\*Clients of independent Investment Advisors may also return the form to your advisor directly or contact Schwab Alliance at 1-800-515-2157.

# Important Information About Your Individual 401(k) Plan Distribution

## INTRODUCTION

This notice contains important information about the payment of your vested account balance in your employer's Individual 401(k) Plan (the "Plan"). Please carefully review the materials. It is always a good idea to consult with a tax advisor when taking distributions.

As a participant in the Plan, you have accumulated a vested account balance. You may receive your vested account balance only if you incur a triggering event. You may incur a triggering event if:

- You are no longer working for your employer;
- You attain the normal retirement age indicated in the Plan, age 59½;
- You have a qualified birth or adoption expense;
- You become disabled under the Plan's definition;
- Your employer terminates the Plan;
- Your Plan permits in-service distributions (may be limited to certain contribution sources); or
- You incur a hardship (may be limited to certain contribution sources).

However, you must refer to your Summary Plan Description to identify the specific triggering events which apply under your Plan.

You may have the right to defer receiving a distribution of your vested account balance from your employer's Plan if you meet both of the following:

- Your vested account balance under the Plan is greater than \$1,000;

and

- You haven't reached age 59½.

However, you must begin receiving payments from the Plan when you reach age 70½ (if you were born before July 1, 1949) or age 72 (if you were born on or after July 1, 1949).

**Note:** Generally, payments from your employer's qualified retirement plan must be delayed for a minimum of 30 days after you receive this notice, to allow you time to consider your distribution options. Although you are entitled to consider your distribution options for a period of 30 days, you may waive this 30-day notice requirement by signing and submitting the Individual 401(k) Distribution Request Form.

**PART ONE** of this notice describes the Plan payment options available to you. **PART TWO** describes the payment options for your beneficiary(ies). **PART THREE** contains a special tax notice, required by the IRS, that explains the tax treatment of your Plan payment and describes the rollover options available to you.

## PART ONE—PAYMENT OPTIONS FOR PLAN PARTICIPANTS

### Important notice to participant

Your employer intends for your Plan account to provide income to you during retirement. If you take a distribution prior to retiring or spend your retirement savings too quickly, you may not have sufficient income to live on in retirement. If you terminate employment and leave your money in the Plan, a share of the Plan's administrative expenses may be charged to your account each year. Refer to your Plan administrator for an explanation of any administrative expenses that may be charged to the accounts of terminated participants.

If you choose to roll over your vested account balance to an IRA or other eligible retirement plan, the distributing Plan's investment options may not be available under the receiving retirement arrangement and the fees may differ from those charged to you if your balance remained in the Plan. Complete information concerning available investment options and fees currently charged by the Plan is available from your Plan administrator. Consult your financial advisor for a description of investments available outside of the Plan and any applicable fees associated with them.

## DISTRIBUTION OPTIONS

### OPTION I—LUMP-SUM PAYMENT

#### A. Lump-Sum Payment Defined

A lump-sum payment is the payment of your entire vested account balance.

#### B. Financial Effect and Tax Consequences of a Lump-Sum Payment

Generally, a lump-sum payment is included in your income and taxed in the year of the distribution. Most lump-sum payments are eligible rollover distributions and would, therefore, be subject to the 20% withholding rules unless directly rolled over to another plan or IRA. See Part Three of this notice for more information.

### OPTION II—PERIODIC PAYMENTS

#### A. Periodic Payments Defined

Periodic payments are payments distributed to you in any amount you choose at intervals that you determine within limits set by the trustee or custodian. For example, the payments could be paid to you annually, semiannually, quarterly, or monthly. The payment schedule you choose cannot be longer than your single life expectancy or, if you have a beneficiary named, the joint life expectancy of you and your beneficiary.

**Note:** Periodic payments are not available if your vested account balance is less than \$1,000.

#### B. Financial Effect and Tax Consequences of Periodic Payments

Generally, each periodic payment will be included in your income in the year in which you receive it. For example, a participant who elects to receive \$500 per month will include \$6,000 (\$500 x 12 months) in income each tax year.

## PART TWO—PAYMENT OPTIONS FOR BENEFICIARIES OF DECEASED PLAN PARTICIPANTS

### Important notice to beneficiary

If you are the designated beneficiary of a deceased participant's vested account balance, you are eligible to receive a distribution. The form of the benefit depends on several factors, including, but not limited to, the type of plan and the amount in the participant's account. Of the options above, some may not be available to you.

### OPTION I—PARTICIPANT'S ACCOUNT BALANCE

If the participant's vested account balance was \$1,000 or less at the time of distribution, the Plan administrator is required to pay your distribution to you in a single cash payment. If the participant's vested account balance exceeded \$1,000, you must consent to the form of payment.

### OPTION II—TYPE OF PLAN

#### A. REA Safe Harbor Plans (Profit-Sharing or 401(k) Plans Only)

You may select Part One, Option I or II. However, if you select the periodic payment method described in Part One, Option II, the payment schedule you choose cannot be longer than your single life expectancy.

## PART THREE—SPECIAL TAX NOTICE REGARDING PLAN PAYMENTS

### YOUR ROLLOVER OPTIONS

This notice describes the rollover rules that apply to payments from the Plan.

Rules that apply to most payments from a plan are described in the "General Information About Rollovers" section. Special rules that only apply in certain circumstances are described in the "Special Rules and Options" section.

### GENERAL INFORMATION ABOUT ROLLOVERS

#### How can a rollover affect my taxes?

You will be taxed on a payment from the Plan if you do not roll it over. If you are under age 59½ and do not do a rollover, you will also have to pay a 10% additional income tax on early distributions (unless an exception applies). However, if you do a rollover, you will not have





to pay tax until you receive payments later, and the 10% additional income tax will not apply if those payments are made after you are age 59½ (or if an exception applies).

### Where may I roll over the payment?

You may roll over the payment to either an IRA (an individual retirement account or individual retirement annuity) or an employer plan (a tax-qualified plan, section 403(b) plan, or governmental section 457(b) plan) that will accept the rollover. The rules of the IRA or employer plan that holds the rollover will determine your investment options, fees, and rights to payment from the IRA or employer plan (for example, no spousal consent rules apply to IRAs, and IRAs may not provide loans). Further, the amount rolled over will become subject to the tax rules that apply to the IRA or employer plan.

### How do I do a rollover?

There are two ways to do a rollover. You can do either a direct rollover or a 60-day rollover.

*If you do a direct rollover*, the Plan will make the payment directly to your IRA or an employer plan. You should contact the IRA sponsor or the administrator of the employer plan for information on how to do a direct rollover.

*If you do not do a direct rollover*, you may still do a rollover by making a deposit into an IRA or eligible employer plan that will accept it. You will have 60 days after you receive the payment to make the deposit. If you do not do a direct rollover, the Plan is required to withhold 20% of the payment for federal income taxes (up to the amount of cash and property received other than employer stock). This means that, in order to roll over the entire payment in a 60-day rollover, you must use other funds to make up for the 20% withheld. If you do not roll over the entire amount of the payment, the portion not rolled over will be taxed and will be subject to the 10% additional income tax on early distributions if you are under age 59½ (unless an exception applies).

### How much may I roll over?

If you wish to do a rollover, you may roll over all or part of the amount eligible for rollover. Any payment from the Plan is eligible for rollover, except:

- Certain payments spread over a period of at least 10 years or over your life or life expectancy (or the lives or joint life expectancy of you and your beneficiary)
- Required minimum distributions after age 70½ (if you were born before July 1, 1949) or age 72 (if you were born on or after July 1, 1949), or after death
- Hardship distributions
- ESOP dividends
- Cost of life insurance paid by the Plan
- Corrective distributions of contributions that exceed tax law limitations

The Plan administrator can tell you what portion of a payment is eligible for rollover.

### If I don't do a rollover, will I have to pay the 10% additional income tax on early distributions?

If you are under age 59½, you will have to pay the 10% additional income tax on early distributions for any payment from the Plan (including amounts withheld for income tax) that you do not roll over, unless one of the exceptions listed below applies. This tax is in addition to the regular income tax on the payment not rolled over.

The 10% additional income tax does not apply to the following payments from the Plan:

- Payments made after you separate from service if you will be at least age 55 in the year of the separation
- Payments that start after you separate from service if paid at least annually in equal or close-to-equal amounts over your life or life expectancy (or the lives or joint life expectancy of you and your beneficiary)
- Payments made due to disability
- Payments after your death
- Corrective distributions of contributions that exceed tax law limitations
- Cost of life insurance paid by the Plan
- Contributions made under special automatic enrollment rules that are withdrawn pursuant to your request within 90 days of enrollment
- Payments made directly to the government to satisfy a federal tax levy
- Payments made under a qualified domestic relations order (QDRO)
- Payments up to the amount of your deductible medical expenses
- Certain payments made while you are on active duty if you were a member of a reserve component called to duty after September 11, 2001, for more than 179 days
- Payments of certain automatic enrollment contributions requested to be withdrawn within 90 days of the first contribution

### If I do a rollover to an IRA, will the 10% additional income tax apply to early distributions from the IRA?

If you receive a payment from an IRA when you are under age 59½, you will have to pay the 10% additional income tax on early distributions from the IRA, unless an exception applies. In general, the exceptions to the 10% additional income tax for early distributions from an IRA are the same as the exceptions listed above for early distributions from a Plan. However, there are a few differences for payments from an IRA, including the following:

- There is no exception for payments after separation from service that are made after age 55.
- The exception for qualified domestic relations orders (QDROs) does not apply (although a special rule applies under which, as part of a divorce or separation agreement, a tax-free transfer may be made directly to an IRA of a spouse or former spouse).

- The exception for payments made at least annually in equal or close-to-equal amounts over a specified period applies without regard to whether you have had a separation from service.
- There are additional exceptions for (1) payments for qualified higher education expenses, (2) payments up to \$10,000 used in a qualified first-time home purchase, and (3) payments after you have received unemployment compensation for 12 consecutive weeks (or would have been eligible to receive unemployment compensation but for self-employed status).

### Will I owe state income taxes?

This notice does not describe any state or local income tax rules (including withholding rules).

### SPECIAL RULES AND OPTIONS

#### If your payment includes after-tax contributions

After-tax contributions included in a payment are not taxed. If a payment is only part of your benefit, an allocable portion of your after-tax contributions is generally included in the payment. If you have pre-1987 after-tax contributions maintained in a separate account, a special rule may apply to determine whether the after-tax contributions are included in a payment.

You may roll over to an IRA a payment that includes after-tax contributions through either a direct rollover or a 60-day rollover. You must keep track of the aggregate amount of the after-tax contributions in all of your IRAs (in order to determine your taxable income for later payments from the IRAs). If you do a direct rollover of only a portion of the amount paid from the Plan and a portion is paid to you, each of the payments will include an allocable portion of the after-tax contributions. If you do a 60-day rollover to an IRA of only a portion of the payment made to you, the after-tax contributions are treated as rolled over last. For example, assume you are receiving a complete distribution of your benefit, which totals \$12,000, of which \$2,000 is after-tax contributions. In this case, if you roll over \$10,000 to an IRA in a 60-day rollover, no amount is taxable because the \$2,000 amount not rolled over is treated as being after-tax contributions. You may roll over to an employer plan all of a payment that includes after-tax contributions, but only through a direct rollover (and only if the receiving plan separately accounts for after-tax contributions and is not a governmental section 457(b) plan). You can do a 60-day rollover to an employer plan of part of a payment that includes after-tax contributions, but only up to the amount of the payment that would be taxable if not rolled over.

#### If you miss the 60-day rollover deadline

Generally, the 60-day rollover deadline cannot be extended. However, the IRS has the limited authority to waive the deadline under certain extraordinary circumstances, such as when external events prevented you from completing the rollover by the 60-day rollover deadline. To



apply for a waiver, you must file a private letter ruling request with the IRS. Private letter ruling requests require the payment of a nonrefundable user fee. For more information, see IRS Publication 590, *Individual Retirement Arrangements (IRAs)*.

#### **If your payment includes employer stock that you do not roll over**

If you do not do a rollover, you can apply a special rule to payments of employer stock (or other employer securities) that are either attributable to after-tax contributions or paid in a lump sum after separation from service (or after age 59½, disability, or the participant's death). Under the special rule, the net unrealized appreciation on the stock will not be taxed when distributed from the Plan and will be taxed at capital gain rates when you sell the stock. Net unrealized appreciation is generally the increase in the value of employer stock after it was acquired by the Plan. If you do a rollover for a payment that includes employer stock (for example, by selling the stock and rolling over the proceeds within 60 days of the payment), the special rule relating to the distributed employer stock will not apply to any subsequent payments from the IRA or employer plan. The Plan administrator can tell you the amount of any net unrealized appreciation.

#### **If you were born on or before January 1, 1936**

If you were born on or before January 1, 1936, and receive a lump-sum distribution that you do not roll over, special rules for calculating the amount of the tax on the payment might apply to you. For more information, see IRS Publication 575, *Pension and Annuity Income*.

#### **If you roll over your payment to a Roth IRA**

You can roll over a payment from the Plan to a Roth IRA.

If you roll over the payment to a Roth IRA, a special rule applies under which the amount of the payment rolled over (reduced by any after-tax amounts) will be taxed. However, the 10% additional income tax on early distributions will not apply (unless you take the amount rolled over out of the Roth IRA within five years, counting from January 1 of the year of the rollover).

If you roll over the payment to a Roth IRA, later payments from the Roth IRA that are qualified distributions will not be taxed (including earnings after the rollover). A qualified distribution from a Roth IRA is a payment made after you are age 59½ (or after your death or disability, or as a qualified first-time homebuyer distribution of up to \$10,000) and after you have had a Roth IRA for at least five years. In applying this five-year rule, you count from January 1 of the year for which your first contribution was made to a Roth IRA. Payments from the Roth IRA that are not qualified distributions will be taxed to the extent of earnings after the rollover, including the 10% additional income tax on early distributions (unless an exception applies). You do not have to take required minimum distributions from a Roth IRA during your lifetime. For more information, see IRS

#### **Publication 590, *Individual Retirement Arrangements (IRAs)*.**

You cannot roll over a payment from the Plan to a designated Roth account in an employer plan.

#### **If you are not a plan participant**

**Payments after death of the participant.** If you receive a distribution after the participant's death that you do not roll over, the distribution will generally be taxed in the same manner described elsewhere in this notice. However, the 10% additional income tax on early distributions and the special rules for public safety officers do not apply, and the special rule described under the section "If you were born on or before January 1, 1936" applies only if the participant was born on or before January 1, 1936.

**If you are a surviving spouse.** If you receive a payment from the Plan as the surviving spouse of a deceased participant, you have the same rollover options that the participant would have had, as described elsewhere in this notice. In addition, if you choose to do a rollover to an IRA, you may treat the IRA as your own or as an inherited IRA.

An IRA you treat as your own is treated like any other IRA of yours, so that payments made to you before you are age 59½ will be subject to the 10% additional income tax on early distributions (unless an exception applies) and required minimum distributions from your IRA do not have to start until after you are age 70½ (if you were born before July 1, 1949) or age 72 (if you were born on or after July 1, 1949).

If you treat the IRA as an inherited IRA, payments from the IRA will not be subject to the 10% additional income tax on early distributions. However, if the participant had started taking required minimum distributions, you will have to receive required minimum distributions from the inherited IRA. If the participant had not started taking required minimum distributions from the Plan, you will not have to start receiving required minimum distributions from the inherited IRA until the year the participant would have been age 70½ (if the decedent was born before July 1, 1949) or age 72 (if the decedent was born on or after July 1, 1949).

**If you are a surviving beneficiary other than a spouse.** If you receive a payment from the Plan because of the participant's death and you are a designated beneficiary other than a surviving spouse, the only rollover option you have is to do a direct rollover to an inherited IRA. Payments from the inherited IRA will not be subject to the 10% additional income tax on early distributions. You will have to receive required minimum distributions from the inherited IRA.

If you do not do a direct rollover to an inherited IRA, the Plan is required to withhold 20% of the payment for federal income taxes. You cannot waive the 20% withholding.

**Payments under a qualified domestic relations order.** If you are the spouse or former spouse of the participant who receives a payment from

the Plan under a qualified domestic relations order (QDRO), you generally have the same options the participant would have (for example, you may roll over the payment to your own IRA or an eligible employer plan that will accept it). Payments under the QDRO will not be subject to the 10% additional income tax on early distributions.

#### **If you are a nonresident alien**

If you are a nonresident alien and you do not do a direct rollover to a U.S. IRA or U.S. employer plan, instead of withholding 20%, the Plan is generally required to withhold 30% of the payment for federal income taxes. If the amount withheld exceeds the amount of tax you owe (as may happen if you do a 60-day rollover), you may request an income tax refund by filing Form 1040NR and attaching your Form 1042-S. See Form W-8BEN for claiming that you are entitled to a reduced rate of withholding under an income tax treaty. For more information, see also IRS Publication 519, *U.S. Tax Guide for Aliens*, and IRS Publication 515, *Withholding of Tax on Nonresident Aliens and Foreign Entities*.

#### **Other special rules**

If a payment is one in a series of payments for less than 10 years, your choice whether to make a direct rollover will apply to all later payments in the series (unless you make a different choice for later payments).

If your payments for the year are less than \$200 (not including payments from a designated Roth account in the Plan), the Plan is not required to allow you to do a direct rollover and is not required to withhold for federal income taxes. However, you may do a 60-day rollover.

Unless you elect otherwise, a mandatory cashout of more than \$1,000 (not including payments from a designated Roth account in the Plan) will be directly rolled over to an IRA chosen by the Plan administrator. A mandatory cashout is a payment from a plan to a participant made before age 62 (or normal retirement age, if later) and without consent, where the participant's benefit does not exceed \$5,000 (not including any amounts held under the plan as a result of a prior rollover made to the plan).

You may have special rollover rights if you recently served in the U.S. Armed Forces. For more information, see IRS Publication 3, *Armed Forces' Tax Guide*.

#### **FOR MORE INFORMATION**

You may wish to consult with the Plan administrator or a professional tax advisor before taking a payment from the Plan. Also, you can find more detailed information on the federal tax treatment of payments from employer plans in: IRS Publication 575, *Pension and Annuity Income*; IRS Publication 590, *Individual Retirement Arrangements (IRAs)*; and IRS Publication 571, *Tax-Sheltered Annuity Plans (403(b) Plans)*. These publications are available from a local IRS office, on the web at [www.irs.gov](http://www.irs.gov), or by calling 1-800-TAX-FORM.



# State Income Tax Withholding Information for Qualified Retirement Plans

## Client Copy

This general information is provided to help you understand state income tax withholding requirements for qualified retirement plan distributions. **While Schwab makes every effort to obtain information about state tax laws from reliable sources, Schwab cannot guarantee the accuracy or timeliness of state tax withholding information because state tax laws are subject to constant change and interpretation. Please make sure to properly estimate your withholding rate based on your tax status. You will be responsible for any under-withholding when you file your tax return. We recommend that you contact your tax advisor regarding your tax withholding elections, making estimated tax payments, and any questions that you may have regarding your state's withholding laws.**

Schwab may be required to withhold state tax from your distribution based upon state tax law for your state of residency. Your state of residency is determined by the legal address of record on your account. In some cases, you may elect not to have withholding apply, or you may elect to increase the rate of withholding. In other cases, state tax withholding is not available. Please refer to the chart below.

If your state of residency is:	Your withholding options are:
AR, DE, IA, KS, MD, ME, NC, NE, VA	<p>If you have federal income tax withheld, Schwab is required to withhold state income tax.</p> <p>If you do not have federal income tax withheld, you may optionally elect to have state income tax withheld.</p> <p>You may provide a percentage amount equal to or greater than your state's withholding requirements; otherwise Schwab will automatically apply your state's applicable withholding requirements.</p>
CA, GA, MA, OK, OR, VT	<p>If you have federal income tax withheld, Schwab is required to withhold state income tax unless you specifically elect not to have state income tax withheld.</p> <p>You may provide a percentage amount equal to or greater than your state's withholding requirements; otherwise Schwab will automatically apply your state's applicable withholding requirements.</p>
AL, AZ, CO, ID, IL, IN, KY, LA, MN, MO, MS, MT, ND, NJ, NM, NY, OH, PA, RI, SC, UT, WI, WV	State income tax withholding is voluntary regardless of whether or not you elect to have federal income tax withheld. Schwab will withhold state income tax only if you instruct us to do so.
CT, MI <sup>1</sup>	<p>State income tax withholding is required. Without a valid opt-out election, the applicable state tax rate will be withheld.</p> <p><sup>1</sup>To opt out of tax withholding, you must complete a state withholding certificate.</p>
AK, FL, HI, NH, NV, SD, TN, TX, WA, WY	State income tax withholding is not available. Schwab will not withhold state income tax even if you elect to withhold state income tax.

If your state of residency is:	Your tax rate is:
AR, DE, IA, KS, MA, ME, NE, OK	5%
CA, GA	2%
CT	6.99%
DC	8.95%
MD	7.75%
MI	4.25%
NC, VA	4%
OR	8%
VT	6%
AL, AZ, CO, ID, IL, IN, KY, LA, MN, MO, MS, MT, ND, NJ, NM, NY, OH, PA, RI, SC, UT, WI, WV	There is no mandatory tax rate since these states are voluntary withholding states.
AK, FL, HI, NH, NV, SD, TN, TX, WA, WY	State income tax withholding is not available.

<sup>1</sup> You may obtain a copy of the MI W-4P form by visiting Schwab.com or Michigan.gov/taxes.

