

# **In-Service Non-Hardship Employee Withdrawals**

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## **WHAT ARE IN-SERVICE NON-HARDSHIP EMPLOYEE WITHDRAWALS?**

Some companies allow active employees participating in a qualified employer retirement plan to withdraw a portion of their plan's account balance upon request, without demonstrating a specific financial need.

## **WHEN SHOULD YOU CONSIDER IN-SERVICE NON-HARDSHIP EMPLOYEE WITHDRAWALS?**

You should consider them if you want to roll over your employer-sponsored retirement plan assets to a rollover IRA because you have limited investment choices in your employer retirement plan. A nontaxable rollover of your plan assets to an IRA also would provide you with greater freedom to work with your Financial Advisor.

If you are considering an in-service non-hardship employee withdrawal, you should consult your tax advisor to determine the tax implications of this strategy. Early withdrawals from employer plans that are not rolled over to another tax-deferred retirement plan may have adverse tax consequences.

## **WHO MAY BE ELIGIBLE?**

If an employer plan permits in-service non-hardship employee withdrawals, participants often must meet certain requirements. Plan guidelines may include a minimum age restriction (usually age 59½), a length-of-service requirement (often two or five years) or both.

Employer plans often limit these withdrawals to vested employer matching contributions, plus earnings, as well as rollovers and earnings from previous employer plans. Some plans allow employees age 59½ and older to withdraw their entire balance without any further restrictions.

## **WHICH PLANS PERMIT IN-SERVICE NON-HARDSHIP EMPLOYEE WITHDRAWALS?**

Profit-sharing, 401(k), stock bonus and employee stock ownership plans usually allow in-service non-hardship employee withdrawals. Cash balance, target benefit and money purchase plans may permit them for employees who have reached the plan's normal retirement age. Defined benefit plans usually do not allow them. Consult your plan's rules to determine whether you can make these withdrawals.

## **WHICH PLAN ASSETS ARE ELIGIBLE FOR THESE WITHDRAWALS?**

Because each employer plan is different, you should ask your employer which assets in your plan are eligible for in-service non-hardship employee withdrawals. Some examples include:

After-tax contributions, plus earnings.

Rollover amounts, plus earnings.

Company match contributions, plus earnings.

Before-tax contributions, plus earnings (if you are disabled or have reached age 59½).

## **WHAT INVESTMENT OPTIONS ARE AVAILABLE FOR THE ASSETS YOU WITHDRAW?**

If you make an in-service non-hardship employee withdrawal and roll over the assets to an IRA, you will have access to a broad range of investment options, including stocks, bonds, mutual funds, annuities and special investments. A financial advisor can provide you with a comprehensive asset allocation and asset placement strategy for your entire portfolio, taking into consideration your goals and risk tolerance, as well as the tax laws governing dividends and capital gains.

## **WHAT ISSUES SHOULD YOU CONSIDER?**

You may need to sell assets before rolling them over to an IRA.

Companies may impose penalties, including charges and suspension of plan contributions, on participants for making these withdrawals.

Asset liquidation may result in penalties (e.g., early surrender of annuity contracts).

By removing assets from your qualified plan, you may lose protection of those assets from creditors.

While loans frequently are permitted in employer retirement plans, they are not allowed in IRAs.

## **HOW CAN YOU GET STARTED?**

If you want to make an in-service non-hardship employee withdrawal, you should take the following steps:

Contact the human resources department's retirement plan administrator to determine whether your plan allows these withdrawals and whether you are eligible to take them.

If the withdrawals are available and you are eligible to take them, then you should ask:

- How much you can withdraw.
- Whether the plan imposes penalties, including suspensions or deferrals of company contributions, for these withdrawals.
- What the processing requirements and distribution timelines are.

Contact your tax advisor to discuss the tax implications of taking these withdrawals.

Contact your Financial Advisor to help you evaluate whether these withdrawals are appropriate for your circumstances.

## **HOW DO IN-SERVICE NON-HARDSHIP EMPLOYEE WITHDRAWALS FIT IN TO YOUR OVERALL PLANS?**

In-service non-hardship employee withdrawals allow you to make withdrawals upon request from your employer retirement plan and roll over the assets to a rollover IRA, which usually offers more investment choices and improved beneficiary options compared with an employer plan. Your Financial Advisor can help you integrate these withdrawals with your retirement, estate and investment plans to help you meet your overall financial goals.