# What are in-service, non-hardship employee withdrawals?

Some companies allow active employees participating in a qualified employer retirement plan like a 401(k) to withdraw a portion of their plan's account balance upon request, without demonstrating a specific financial need.

Let's face it--some 401(k) plans are bad: the fees are high, the investment choices are slim, and your ability to customize your investment process within your company's 401(k) structure is limited.

People naturally ask if there's a way to take the money out of the plan and place it into their own account. We all know when you leave your job, you can. It's called a 401(k) rollover. In most cases you should do a rollover as soon as you leave your employer. This gives you greater control over your fees, taxes, expenses, and the risk that you're exposed to.

Can you take money out without leaving your job? Some plans do allow it. It's called an "in-service withdrawal" or an "in-service distribution." In service means you are still working for the employer sponsoring the plan. Because some plans allow it you should ask your plan administrator if it is an option.

# When should you consider in-service, non-hardship employee withdrawals?

One reason you should consider them is that, by rolling over your employer-sponsored retirement plan assets to a rollover IRA, you may be able to significantly expand your investment choices if you have limited choices in your employer sponsored retirement plan.

A nontaxable rollover of your plan assets to an IRA would also provide you with greater freedom to work with your customized retirement income plan.

It's important to understand that a normal withdrawal is typically treated as ordinary income and could trigger a tax liability. In addition, if you're under age 59 1/2, you could be subject to a 10% early withdrawal penalty. However, by taking the "in-service, non-hardship employee withdrawal" and rolling it over into an IRA within 60 days, you will continue to benefit from tax-deferral status without an immediate tax liability or penalty.1

# Who may be eligible?

If an employer-sponsored retirement plan permits in- service, non-hardship employee withdrawals, participants often must meet certain requirements. Plan guidelines may include a minimum age restriction (usually age 59 1/2), a length-of-service requirement (often two or five years) or both.

Employer-sponsored retirement 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 59 1/2 and older to withdraw their entire balance without any further restrictions. Many plans require spousal consent for in-service withdrawals so you should check with your plan sponsor as your spouse may have to provide consent in writing.

# 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.

# Which plan assets are eligible for these withdrawals?

Because each employer-sponsored retirement 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 59 1/2)

# 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 at Anthony Capital, you will have access to a broad range of investment options, including stocks, bonds, exchange traded funds, and mutual funds. More importantly, your Anthony Capital advisor can provide you with a comprehensive asset allocation and asset investment management plan for your portfolio, incorporating the FBIAS: Fact- Based Investment Allocation Strategies to provide active risk management for your account. They'll also take into consideration your goals, risk tolerance, as well as the tax laws governing dividends and capital gains.(2)

FBIAS portfolios aren't limited by the silly trading restrictions that most 401(k) plans have, this means that you can reallocate your hard earned retirement monies into a risk-managed portfolio to put yourself in a potentially better situation to profit in bull markets and more importantly, protect profits in bear markets.

# What rules and potential issues should you consider before you take an in-service, non-hardship withdrawal?

- Some investments can be rolled over in kind while others may not be eligible.
- 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 employer-sponsored 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.
- Determine if the assets from the in-service, non- hard- ship withdrawal are pre-tax contributions or earnings from the account. This can have major tax implications.
- You will not have the ability to use a Net Unrealized Appreciation (NUA) strategy if employer stock is rolled into an IRA.

# 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. Ask, "Can I take an in-service withdrawal?"

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

1. Which assets are eligible?

2. How much you can withdraw?

3. Does the plan imposes penalties, including suspensions or deferrals of company contributions, for these withdrawals?

4. What are the processing requirements and distribution timelines?

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

- Contact your Anthony Capital advisor to help you evaluate your options and to help you fill out the transfer forms to complete the rollover to an IRA.

# How do in-service, non-hardship employee withdrawals fit in to your total financial picture?

In-service, non-hardship employee withdrawals, if permitted by your employer-sponsored retirement plan, allow you to make withdrawals upon request 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 Anthony Capital advisor can help you integrate these withdrawals with your retirement, estate and investment strategies to help you meet your overall financial goals.

# Is it worth the hassle? Why not just leave everything the way it is?

If you're over age 59 1/2, and the in-service withdrawal option is available, your decision to take advantage of it and roll your monies over to an IRA in your name could be profound. Ask the pre-retirees who had monies in their 401(k) plans in 2008, when the market crashed and they lost 50%. FBIAS portfolios at Anthony Capital are actively managed, and the five Core Blend portfolios made anywhere from 12%-36% during 2008, plus they typically have 1/2 the fees and expenses of most 401(k) plans.

INVESTMENT HINT: Having a portfolio will less fees and expenses is good.