Unforeseeable Emergency Withdrawals

457(b) Deferred Compensation Plans

A withdrawal while you are employed is allowed only for an unforeseeable emergency that causes a severe financial hardship.

Withdrawals from 457(b) deferred compensation plans are restricted by the Internal Revenue Service (IRS). A withdrawal while you are employed is allowed only for an unforeseeable emergency that causes a severe financial hardship. Only the amount necessary to meet the emergency need is available for withdrawal. (In-service distributions of small accounts not in excess of $5,000 may also be permitted under the plan if you have not:
1) made any contributions to the deferred compensation plan during the previous two years, and
2) received this type of in-service withdrawal from the plan in the past.)

All unforeseeable emergency withdrawal requests will be reviewed in accordance with the plan's procedures for a determination as to whether the withdrawal is permitted. IRS guidelines, summarized below, will be used in making this determination.

Alternate payee is defined as an individual who is recognized as having a right to receive some or all of the benefits in a retirement plan under a domestic relations order. Usually a spouse, former spouse, child, or other dependent.

An unforeseeable emergency withdrawal, when permitted by the 457(b) plan document, is defined by the IRS as a severe financial hardship of the participant, beneficiary or alternate payee resulting from:

- An illness or accident of:
  - the participant, the beneficiary or an alternate payee
  - the spouse of the participant, beneficiary or an alternate payee,
  - the dependent of the participant, beneficiary or the alternate payee
- Loss of the participant's, beneficiary's or an alternate payee's property due to casualty; or
- Similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the participant, beneficiary or alternate payee.

In addition, if permitted under the 457(b) plan document, an unforeseeable emergency means a severe financial hardship of the participant resulting from an illness or accident of a primary beneficiary designated by the participant under the 457(b) plan.

Withdrawals are permitted only to the extent the hardship cannot be relieved:
(1) through reimbursement or compensation by insurance or otherwise; (2) by liquidating your assets (to the extent this would not itself cause severe financial hardship); or 3) by stopping deferrals under the Plan.

*** Dependent is defined by the IRS in Code Section 152.**

To be a dependent, a person must be your qualifying child or qualifying relative. The following is a summary of the IRS definition of dependent.

Generally, a person is a qualifying child if that person:

- Is your child, stepchild, foster child, brother, sister, stepbrother, stepsister, or a descendant of any of them,
- Lived with you for more than half of the year,
- Did not provide more than half of his or her own support for the year, and
- Was under age 19 at the end of the year (or was under age 24 at the end of the year and a student) or was any age and permanently and totally disabled.

Generally, a person is your qualifying relative if that person:

- Lives with or is related to you,
- Is supported (generally more than 50%) by you, and
- Is neither your qualifying child nor the qualifying child of anyone else.

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Situations that may constitute unforeseeable emergencies include:

- The loss of property caused by fire, flood or other catastrophic loss beyond the control of the participant or beneficiary.
- The imminent foreclosure of or eviction from the participant's or beneficiary's primary residence.
- A hardship need arising as a result of a sudden and unexpected illness of the participant, the beneficiary, such parties' spouse or dependent or the participant's designated primary beneficiary.
- The need to pay for medical expenses, including non-refundable deductibles, as well as the cost of prescription drug medication.
- The need to pay for the funeral expenses of a spouse or dependent.

Situations that do not constitute unforeseeable emergencies include:

- The purchase of a new vehicle, new appliance, second home or pool, etc.
- Marriage costs for yourself or dependents.
- Vehicle repairs, appliance replacement or maintenance.
- Costs for a divorce, divorce settlement or child support.
- Costs of bankruptcy (except when bankruptcy is a direct result of an unforeseeable illness or casualty).
- Education costs for you or your dependents.
- Bills that you knowingly incurred but cannot pay such as loans, credit card debt, vehicle, and house or boat payments. This also includes refinancing existing debt.
- Funeral expenses for a person other than your spouse or dependent.
- Unreimbursed medical expenses related to an elective surgery.
- To provide for lost wages, unless the lost wages are the result of illness or accident or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond you or your beneficiary's control. Job class actions (such as labor strikes) do not qualify as an extraordinary and unforeseeable circumstance.
- To cover wage garnishment.
- To pay income tax, property tax, back taxes or fines associated with back taxes.
- To supplement insurance coverage.
- To cover a loss not covered by insurance because of failure to retain insurance coverage.

Only the amount reasonably necessary to meet the emergency need (which may include any amounts necessary to pay any federal, state or local income taxes or penalties reasonably anticipated to result from the distribution) is available for withdrawal.

Please note that some plans contain restrictions on your ability to make contributions for a period of time following an unforeseeable emergency withdrawal. You should review the specific requirements included in your employer's plan in making a decision as to whether to request this type of withdrawal.

This material was created to provide accurate and reliable information on the subjects covered. It is not intended to provide specific legal, tax or other professional advice. The services of an appropriate professional should be sought regarding your individual situation.

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