



# SUMMARY OF HARDSHIP WITHDRAWAL DOCUMENTATION

## OVERVIEW

If your plan allows participants to receive hardship withdrawals, you as the plan sponsor are required to verify the hardship is an “immediate and heavy financial need” due to one of the following reasons:

- Medical care for the participant or his/her spouse, dependent or primary beneficiary<sup>1</sup>
- Purchase of participant’s principal residence
- Post high-school educational payments for the participant or his/her spouse, dependent or primary beneficiary<sup>1</sup>
- Prevent eviction/foreclosure of participant’s principal residence
- Funeral and burial expenses for the participant’s spouse, parent, dependent or primary beneficiary<sup>1</sup>
- Repairs for casualty loss damage to participant’s principal residence

Refer to your plan document to determine if there are any limits on the amount and type of funds that can be distributed for a hardship from an employee’s account.

## VERIFICATION

Each hardship reason has its own set of documents the IRS requires in order to substantiate. You may choose to require original source documents (such as invoices, eviction notices, etc.) that substantiate *each* of the requirements listed below or participants can enter this information on a summary worksheet. (A summary worksheet is included on our Hardship Withdrawal Request form, available online.)

### MEDICAL CARE

- Who incurred medical the expense
- Relationship to participant
- Amount of medical expenses not covered by insurance
- Total amount requested does not exceed actual cost
- Purpose of medical care (diagnosis, treatment, prevention, long-term care, associated transportation, etc.)
- Name and address of service provider

### PURCHASE OF PRINCIPAL RESIDENCE

- Address of residence
- Location will be participant’s principal residence
- Purchase price of principal residence
- Type of costs covered (down payment, closing costs and/or title fees)
- Total amount requested does not exceed actual cost
- Lender name and address
- Expected closing date
- Date of purchase/sale agreement

### EDUCATIONAL PAYMENTS

- Who incurred educational expense
- Relationship to participant
- Amount of educational expense
- Total amount requested does not exceed actual cost
- Type of expense (tuition, fees, room/board, etc.)
- Name and address of educational institution
- Period covered by educational payment (beginning/ending dates up to 12 months)

### PREVENT FORECLOSURE OR EVICTION

- Address of residence
- Location is participant’s principal residence
- Type of event (foreclosure or eviction)
- Amount required to prevent foreclosure/eviction
- Payment due date
- Name and address of party who issued the notice
- Total amount requested does not exceed actual cost

### FUNERAL AND/OR BURIAL EXPENSES

- Name of deceased
- Relationship to participant
- Date of death
- Amount of funeral and burial expense
- Name and address of service provider (cemetery, funeral home)
- Total amount requested does not exceed actual cost

### REPAIRS FOR DAMAGE OF PRINCIPAL RESIDENCE

- Address of residence
- Location is participant’s principal residence
- Date of Casualty Loss
- Cause of loss (fire, flood, type of weather-related incident, etc.)
- Description of repairs, including amounts and date(s) of repair (in process or completed)
- Total amount requested does not exceed actual cost

<sup>1</sup> Not all plans allow hardship withdrawals on behalf of a participant’s primary beneficiary. Refer to your plan document before authorizing the hardship withdrawal.

## A SPECIAL NOTE ABOUT PARTICIPANT DISCLOSURES

If you allow participants to use the summary method, be aware the IRS requires the participant receive the following notifications prior to applying for a hardship withdrawal.

- The hardship withdrawal is taxable and additional taxes could apply.
- The amount of the distribution cannot exceed the immediate and heavy financial need.
- Hardship withdrawals cannot be made from earnings on elective contributions or from QNEC or QMAC accounts, if applicable.
- The recipient agrees to preserve source documents and to make them available at any time, upon request, to the employer or administrator.
- The participant must certify that the information provided is true and accurate.

These disclosures are contained in the most recent version of our Hardship Withdrawal Request form, which is available for download from our website at [www.randall-hurley.com](http://www.randall-hurley.com). If you are not using this form, it is your responsibility to ensure the above disclosures are satisfied.