



Changes to Hardship Withdrawals

August 2019



If your 401(k) Plan provides for Hardship Withdrawals, you should be aware of the following changes:

- Participants will no longer be required to suspend elective deferrals for 6 months. Change is required for distributions made on or after January 1, 2020 but may be adopted earlier.
- A participant does not need to be in a "federally declared disaster area" to qualify for a hardship for the repair of a principal residence due to casualty loss. Change required for distributions made on or after January 1, 2019 but could have been adopted earlier.
- There is a new safe harbor category for expenses and losses (including lost wages) incurred because of a disaster declared by FEMA if the employee's principal residence or place of employment was located in disaster area at the time of the disaster. Change required for distributions made on or after January 1, 2019 but may be adopted earlier.
- A participant must represent that he/she has insufficient cash or other liquid assets to satisfy the need. Plans may rely on this representation unless they have actual knowledge to contrary. Change required for hardships made on or after January 1, 2020 but may be adopted earlier.
- A participant does not need to take a loan before a hardship withdrawal. This change is optional. However, a participant must still take any other available distributions under employer plans.
- Hardship withdrawals may be allowed from earnings on elective deferrals. This change is optional.
- Similar changes apply to 403(b) plans, except no hardship withdrawals will be allowed from earnings on elective deferrals.

Caution: IRS must still issue final regulations, which may be different. The IRS has set a deadline for the required changes, but if the amendment includes optional changes it must be signed by the end of the Plan Year in which the change is

effective.

If you have any questions or would like to make any changes
to your plan before 2020,
please contact your Analyst at 336.271.4450.

OUR MISSION

We will make every interaction a positive experience

Sincerely,
The Team at Stanley Benefit Services, Inc.

Contact us to learn about our
HSA, FSA, COBRA and 401(k) Services!

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