

# Hardship Distributions

Q: What were the hardship distribution requirements prior to December 31, 2018?

A: Prior to this change there were several restrictions, which included:

- If available, a loan was required prior to taking a hardship distribution.
- There was a six-month suspension on employee deferrals after a hardship distribution was taken.
- Only the employee deferral money source was available when considering the allowable hardship distribution amount. In some cases, certain employer money sources were available for a hardship distribution.

Q: What are the changes to hardship distribution requirements beginning January 1, 2019?

A: This change will include the following:

- There will be no requirement to take a loan prior to taking a hardship distribution.
- Earnings on employee deferrals will now be included when determining the allowable hardship distribution amount.
- There is no required suspension on employee deferrals after taking a hardship distribution.
- Additional employer money sources may be available for consideration.

Q: When will these changes be effective?

A: These changes will be effective the first day of your plan year after December 31, 2018.

- For example, if you have a calendar plan year, these changes will be effective 1/1/2019. If your plan year is not the calendar year, running from 7/1 to 6/30, these changes will be effective 7/1/2019.

Q: What are my options regarding these changes?

A: As hardship distributions are an optional benefit for the retirement plan, you are not required to have a hardship distribution provision.

- Retaining previous restrictions for a hardship distribution, such as the six-month suspension, limiting the allowable hardship distribution amount to the net employee deferral contributions, and/or the requirement of requesting a loan prior to taking a hardship distribution are available options.
- Adding the additional employer money sources to the allowable hardship distribution amount, such as the Safe Harbor, QMAC, and QNEC, is also an available option.

Q: Do the changes apply to ERISA 403(b) Plans?

A: The removal of the 6-month suspension and the requirement to take a loan before taking a hardship distribution no longer apply. Earnings on employee deferrals continue to not be available for hardship distribution.

To discuss these changes further or learn about adding these optional provisions to your Plan Document, please contact your dedicated Relationship Manager.