

401(k) Frequently Asked Questions

 *Plan for your retirement and
achieve your financial goals.*

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An Introduction

Dear Plan Participants and Administrators:

The opportunity to participate in a 401(k) plan is a valuable benefit for employees and employers alike. Our principal goal at Paychex Retirement Services, is to provide retirement services that promote a rewarding 401(k) experience for all who participate. Our experienced resources have developed features that make it simple and easy for you to understand your plan benefits and manage your investment accounts.

The following pages contain a list of frequently-asked participant questions about retirement planning and answers to assist you with plan enrollment and ongoing plan management.

As always, the Paychex Online Retirement Services Web sites offer the most comprehensive information about plan management. The web addresses are as follows:

Employer Site: <https://online.paychex.com>*

Participant Site: <https://benefits.paychex.com>*

* Note: If you have a MyPaychex account, you must access the Paychex Retirement Services Online Web site through <https://www.mypaychex.com>.

Additionally, employers can call us at 800-472-0072, and employees at 877-244-1771, for assistance. We appreciate the opportunity to work as an essential partner with your business.

Sincerely,

Paychex Retirement Services

Contributions and Vesting

Are the contributions that are withheld from my paycheck always 100% vested?

Any money you contribute is always 100% vested, which means it is always yours. This includes any earnings on your contributions.

Are employers required to contribute to employee 401(k) accounts?

Generally no, but some plans require an employer contribution under certain circumstances.

How much money does my employer have to match?

If the plan permits, an employer contributes an amount determined by the matching contribution formula based on each participant's elective deferrals. As with your personal contributions, the match is then invested in the retirement plan. If applicable, the matching formula is outlined in your Summary Plan Description. *Note:* An employer is not required to contribute a match.

If my employer contributes to the plan, when is that amount vested (i.e., completely mine)?

It depends on the plan's vesting schedule. Generally, you must work at least 1,000 hours in a year to receive a year of vesting credit. Once you have been with our company for _____ years, you will be 100% vested. Review your General Information Sheet for plan specifics.

What if I want to change my deferrals or amounts I contribute to the plan?

You can increase or decrease your deferral percentage at any time using the Paychex automated phone system at 877-244-1771 or Web site at <https://benefits.paychex.com>. Changes generally take effect within two business days. Changes for newly eligible employees will take effect on the next plan entry date, which is _____.

When can I change how my investments are allocated?

You can do this anytime via the Web site at <https://benefits.paychex.com> or by calling Paychex Employee Services at 877-244-1771.

I currently have an IRA. Can I still contribute to it if I participate in a 401(k) plan?

Yes; however, participation in a 401(k) plan may affect the amount that is tax deductible. For guidance, consult with your tax advisor.

Contributions and Vesting

What does it mean to diversify my contributions?

Diversification means spreading your money across different types of funds to reduce your overall risk. Different types of investments may not perform the same way at the same time.

I am not sure which funds are the safest investment choices. To whom can I go for advice?

It is recommended that you consult a financial advisor or broker with any questions regarding the performance of the funds or the appropriate investment mix for your situation. You may access the fund prospectuses and fund information online or contact a financial advisor for assistance. Paychex is the plan recordkeeper and cannot provide 401(k) investment advice.

How should I invest my money?

How you invest the money in your 401(k) account is a personal decision. If you decide you want to change your investment options, you can do so anytime. Please consult the mutual fund prospectus before transferring your money to determine if any fees apply and to familiarize yourself with the fund's excessive trading policies. Paychex does not provide investment advice.

What is a catch-up contribution?

Employees who are age 50 or older may be eligible to make pretax and/or Roth 401(k) catch-up contributions to 401(k) and SIMPLE IRA plans. These contributions are in excess of the standard annual deferral limit. To be eligible for catch-up contributions, you must attain age 50 in the plan year and must also expect to meet one of the following limits:

- the 402(g) statutory contribution limit, which is the maximum amount of elective deferrals an individual may make in a single calendar year
- the maximum salary deferral percentage limit for the plan as indicated in the Adoption Agreement
- the limit for highly compensated employees (HCE) on the Actual Deferral Percentage (ADP) test
- the annual contribution stipulated by IRC Section 415, which includes all employee and employer contributions made during the plan year

Catch-up contributions are not subject to ADP testing provided all employees age 50 and older are eligible to make catch-up contributions. The employer may choose to apply the plan's matching formula to the catch-up contributions.

Contributions and Vesting

Can I roll over funds from a previous 401(k) account?

Yes. To roll over your existing retirement account funds into your new plan, you must complete a rollover form and return it to Paychex. The rollover form indicates to whom the check from your previous plan should be made payable. It also includes the address to which the check and form should be sent. Please make sure you send both the form and check together. Forms are available at <https://benefits.paychex.com>.

How long does it take to roll over funds from a previous 401(k) account?

Once the rollover form and check are received, it takes seven business days for the funds to be traded into your account.

How do I discontinue participation in the plan if I was automatically enrolled?

Once automatically enrolled, you have 90 days from your first salary deferral to opt out of the plan. This applies to both traditional and safe harbor plans. You can opt out of enrollment at <https://benefits.paychex.com> or by calling Paychex Employee Services at 877-244-1771; no paper forms are necessary. After you opt out, you will be eligible to take a distribution of your salary-deferral account balance. Although no taxes will be withheld, the distribution will be considered taxable income. Any employer match funds received are forfeited. Once the 90-day window has passed, normal distribution rules apply.

If I “opt out” of the plan, how am I reimbursed for any auto enrollment contributions I made?

You are entitled, but not required, to take a permissible withdrawal of your funds without incurring any fees or early withdrawal penalties. The permissible withdrawal must be initiated online or by calling 877-244-1771 within 90 days of the first payroll deferral. The normal distribution time-frame of 15 business days applies, and you will receive a check. Any employer match is forfeited, even if vested. Funds are adjusted for gains and losses and subject to taxation. You will receive a Form 1099-R the January following the year the permissible withdrawal occurred and you must claim the amount on your personal income taxes. As of the 91st day after the salary deferral, normal distribution rules apply and a qualifying event is needed to initiate a distribution without penalty.

Loans

What are the specific rules regarding loans from the 401(k) plan?

- You may have only one outstanding loan at a time.
- Loans may not be taken from Roth 401(k) balances.
- The minimum amount you may borrow is \$1,000.
- The maximum amount of an outstanding loan cannot exceed the lesser of 95% of the total vested account balance, excluding the Roth 401(k) elective deferral, or 95% of one-half of the vested account balance, not to exceed \$50,000.
- You must have a vested balance of \$2,105.26 to take a loan.

How do I obtain a loan from my account?

When your vested account balance is large enough, you may initiate a loan of at least \$1,000 by logging in to <https://benefits.paychex.com> or by calling 877-244-1771. You can determine the amount you can borrow, the interest rate, “model” the loan, and request for the loan online or by phone.

What happens after I submit a loan request online or by phone?

When requesting online or by phone, the loan can be authorized electronically without having to complete paperwork. It takes approximately two weeks to process the loan and receive the requested loan amount by check. You can also request loan paperwork. Simply complete and sign the paperwork and return it to Paychex Retirement Services. Once processed, a check will be sent by First-Class Mail to your home, or if requested, an ACH transfer of funds will be made to your bank account. Deductions for repayment of the loan will begin on the date specified in the loan agreement.

Can I increase the amount of a current loan?

No. Once you have signed the Amortization Schedule or e-authorized your loan, you cannot change the amount. You would have to pay off the existing loan and then request another loan amount.

How long do I have to repay my loan?

You will be allowed a loan for a minimum repayment period of one year and a maximum repayment period of four and one-half years (54 months). All loan repayments will be made through payroll deduction based on your pay period. The repayment period can be extended up to ten years (120 months) for loans used to purchase a primary residence.

What fees are associated with loans?

Loans have a \$150 processing fee; loans used to purchase a primary residence have a \$300 processing fee. The applicable fee is paid when the loan is issued. It will be deducted from the loan check.

Can I repay a current loan by taking a new loan against my account?

No. To take another loan from your account, you must repay the outstanding balance on your current loan with a certified check or money order. You may initiate a new loan when your balance is zero.

Distribution/Withdrawals

When may I take a distribution from my account balance?

Generally, you may request a distribution only when one of the following occurs:

- you terminate your employment with the company,
- you reach age 59½,
- you become disabled,
- the plan is terminated, or
- your death (your beneficiary would request a distribution).

Once the money is distributed from the account, amounts that were invested as pretax contributions in the plan are subject to income taxes. The qualified distribution rule determines when the earnings on Roth 401(k) contributions will be distributed tax-free. The portion of the account that consists of your Roth contribution is always tax-free. A Roth distribution is qualified if the distribution occurs after a five-taxable-year (“five-year”) period of participation (for example, five years after the first Roth 401(k) contribution is made), and at least one of the following events has occurred:

- you reach age 59½,
- you become disabled, or
- your death (your beneficiary would request a distribution).

What are points to consider when requesting to take an early distribution or withdrawal?

- Account values vary daily, so the amount cannot be determined until it has been processed.
- There is a \$40 distribution fee for a check and additional fee of \$18 for ACH or funds wire.
- If the distribution is not rolled over, 20% in federal taxes and possible state taxes will be withheld from the total distribution.
- If you are under age 59½, you may also be required to pay a 10% early withdrawal penalty that will be assessed when you file your personal income taxes.

How long will it take to process a distribution from my 401(k)?

Once the paperwork is received, it takes up to 15 business days to process a distribution; you can view the status of your request at <https://benefits.paychex.com> or by calling 877-244-1771.

What are the steps for initiating a hardship withdrawal?

If your employer’s plan allows and you are eligible for a hardship withdrawal, Paychex will mail the necessary paperwork to your home address for completion. A hardship withdrawal may not be greater than the lesser of the amount of the financial hardship (based on the supporting documentation), and 100% of your elective deferrals (not including earnings).

Do I have to take a loan on my 401(k) to qualify for a hardship withdrawal?

If the plan permits loans, you must take one before requesting a hardship withdrawal.

Distribution/Withdrawals

What qualifying events meet the criteria for a hardship withdrawal?

- Medical expenses, described under Code 123(d), incurred or anticipated to be incurred by you or your spouse or dependents
- Tuition and related educational fees for the next 12 months for post-secondary education for you or your spouse, children, or dependents
- Payment to prevent eviction from, or foreclosure on the mortgage for, your primary residence
- Purchase (excluding mortgage payments) of a principal residence by you
- Funeral expenses of a spouse, parent, child, or dependent
- Certain expenses relating to the repair or damage to your principal residence that qualify for the casualty deduction, such as those resulting from a hurricane or flood damage. (Pursuant to IRC 165 - typically for a loss sustained during the tax year and not covered by insurance.)

When can I take an in-service withdrawal?

Age 59½ (or later age) – Your plan may permit an age 59½ withdrawal for salary deferrals, as well as a withdrawal of employer contributions at age 59½, which may require additional conditions be met in addition to age. Plan provisions, including minimum age, required vesting percentage, and number of in-service withdrawals allowed for a plan, can vary in determining whether a participant is eligible for in-service distributions of employer contributions. Review your available plan options online.

Hardship – Hardship withdrawals are a plan option and are not automatically included as part of a plan's provisions. Review your General Information Sheet for plan specifics.

What fees are associated with distributions?

If you are under age 59½, you may incur a 10% penalty, assessed by the IRS when you file your taxes, for withdrawing your funds as a taxable distribution. In addition, a \$40 distribution fee will be assessed at the time of distribution. The government also requires that 20% be withheld for federal taxes, and depending on your location, state taxes may be deducted from lump sum distributions. Based on your tax bracket and location, you could incur additional federal and state taxes when you file your taxes.

What happens to my retirement account if I leave the company?

1. The funds can be rolled into your new company's eligible retirement plan or an individual retirement account (IRA). Roth 401(k) contributions can only be rolled into a Roth IRA or another eligible retirement plan that accepts Roth 401(k).
2. The vested account balance can be distributed to you; however, once the payment is paid directly to you, it is mandatory that federal income taxes equal to 20% of the amount distributed are withheld (does not apply to Roth 401(k) contributions). In addition, amounts not rolled over by employees under the age of 59½ may incur an additional 10% early withdrawal penalty, including the taxable earnings portion of a non-qualified Roth 401(k) distribution.
3. If your vested account balance (employee and employer contributions) is more than \$5,000, you can leave the funds invested in the plan.

Beneficiaries/Roth 401(k)

What is a beneficiary?

A beneficiary is the person or persons to whom the plan will pay your vested 401(k) account balance in the event of your death. This person is identified by you on the Beneficiary Designation Form that is available for you to print online, complete, and give to your employer. If you are single, you may designate anyone you wish as a beneficiary. If you are married, you must name your spouse as your primary beneficiary with a 100% share, unless your spouse waives this right by signing the spousal waiver section of the form. The signature must be notarized. As a reminder, the beneficiary form should remain with the plan administrator and plan records.

What is a secondary beneficiary?

A secondary beneficiary is the person or persons you would like to receive your plan benefit in the event that the primary beneficiaries are deceased at the time of your death.

How do I change my designated beneficiary?

You may do so at any time by completing a new Beneficiary Designation Form and providing it to your employer.

What is a Roth 401(k) plan?

Designated Roth contributions can be accepted by a 401(k) or 403(b) plan. If a plan adopts this feature, employees can designate some or all of their elective contributions as designated Roth contributions (which are included in gross income) rather than traditional, pretax elective contributions.

How does a Roth 401(k) plan differ from a traditional 401(k) plan?

The primary difference between Roth and traditional contributions is the taxability. Roth contributions are considered taxable for federal income tax and most state income taxes in the year they are contributed, and they are not taxable when withdrawn. Traditional contributions are considered non-taxable for federal income tax and most state income taxes in the year they are contributed but are subject to those same taxes upon withdrawal.

Are there restrictions to withdrawing funds from the Roth 401(k) account?

Loans will not include Roth elective deferral amounts held in the account.

How do I know how much to allocate as Roth contributions relative to traditional contributions?

The amount you contribute to your 401(k) account is a personal decision and not something Paychex can advise you on; however, several retirement tools are available on the Paychex Web site to compare your options. The IRS allows you to contribute a maximum of \$16,500 this plan year and an additional \$5,500 if you are eligible to make catch-up contributions.

Paychex Employee Services Web Site

benefits.paychex.com

This participant Web site was built with plan participants in mind. Participants can:

- enroll in the plan
- view account balances
- get answers to your plan questions through the Tools and Learning tab
- review fund information
- change funds and allocations
- make fund transfers
- obtain price and historical yield data by fund
- request a loan
- calculate loan payments or terms
- request an account statement
- take a distribution if you qualify

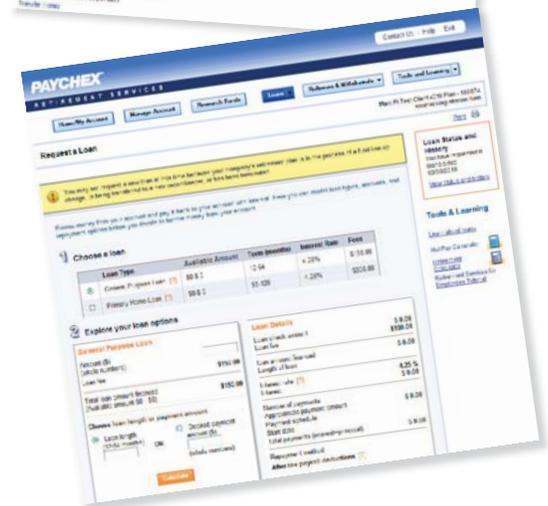
Participant Login Instructions Creating an Account.

Participants must log in to <https://benefits.paychex.com>. When the login screen displays, choose **Register for a New Account** and complete the required fields on the **Create My Account** screen.

Employees will be prompted to answer two security questions and choose a security image. Click **Submit** to save the entry.

Logging In.

After creating an account, participants can log in by entering their user name and password in the appropriate fields, and selecting their security image. They may also be prompted to answer a security question. Automated phone assistance is also available for participants at [877-244-1771](tel:877-244-1771).





Paychex Online Retirement Services (Employers)
<https://online.paychex.com>

Paychex Online Retirement Services (Participants)
<https://benefits.paychex.com>

Paychex Human Resource Services (Employers)
800-472-0072

Paychex Employee Services (Participants)
877-244-1771

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