



# Leaning on long-term savings in times of financial uncertainty —what *options* may be available?

When your personal finances are tight due to circumstances beyond your control, it can be tempting to access your long-term retirement savings to help you through the hard times. It's important, though, to understand your options.

In addition to the existing withdrawal features in the Puget Sound Electrical Workers 401(k) Savings Plan ("Plan"), the Coronavirus Aid, Relief, and Economic Security (CARES) Act which was signed into law on March 27, 2020, contains a new withdrawal allowance that may offer additional relief through the Plan.



**Before you take action, make sure you understand the short- and long-term implications, and the temporary help that may be provided by the CARES Act.**



## Plan distributions and withdrawals

Your 401(k) Savings Plan currently offers a variety of distribution and withdrawal options that have been in place for some time. Other than loans, you'll need to have a distribution event (retirement, become disabled, termination, or no hours worked in this plan for an extended period) to access funds from this retirement plan. Taxes and penalties on distributions and withdrawals apply as follows:

Distributions that are paid directly to you (and not rolled over to another retirement account) are reported to the IRS as income in the year that you take the distribution, and you'll owe income tax on the distribution amount. In addition to income tax, if you're younger than age 59½, you'll normally also pay a 10% early withdrawal penalty. In most cases, you can choose to receive your distribution in a lump-sum, partial lump-sum, or installment payment.

Loans, available in your Plan, up to the lesser of \$50,000 or 50% of your account balance, offer the ability to borrow funds and repay amounts borrowed to help avoid depletion of retirement savings. Loans that are repaid aren't subject to taxation. However, loans that aren't repaid may be considered distributions to you, and you'll incur income taxes and a 10% early withdrawal penalty if you're under the age of 59½.



## Help from the CARES Act and your Plan

Under the CARES Act, retirement plans such as your 401(k) Savings Plan, can now allow qualified individuals—generally including those who've been diagnosed with COVID-19 and those who've experienced adverse financial consequences as a result of COVID-19— to take a tax-advantaged Coronavirus-Related Distribution (CRD). Under the 401(k) Savings Plan, if you certify that you're a qualified individual, you may now withdraw up to \$50,000, by December 30, 2020, without facing a 10% early withdrawal penalty if you're younger than 59½.

You'll still owe taxes on the amount you withdraw, but you can spread the amount over three years. You may also limit or eliminate the amount of taxes you pay on the withdrawal by repaying the CRD amount within three years of receiving it.

**Note, even if you certify that you've been adversely affected by COVID-19, you must currently be out of work to be eligible for the Plan's new CRD option.**

For detailed information and a CRD application form, visit the plan website at [psewtrusts.com](https://psewtrusts.com) or contact the Administration Office at 206-441-466 or 866-314-4239, ext. 3203.



## When times are tough, strengthen your finances

With so much uncertainty, it's a good time to create and follow a [budget](#). Monitor your spending and tighten where you can—if you can. If you have savings outside your retirement plans, consider that as a source for immediate cash flow, so you don't have to borrow from your future and incur the associated costs.

After reviewing your full financial circumstances and options, if you still need to lean on your retirement savings, do it thoughtfully and responsibly. Don't let it become a habit, and dip into retirement savings only after you've explored all other options.



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