# IBEW Local 461
## Defined Contribution Pension Fund

**BEFORE YOU TAKE YOUR LUMP-SUM DISTRIBUTION**
**Consider the Important Tax Consequences**


**You Can Also Save Money by Requesting a Partial Withdrawal**

When you request a distribution from the IBEW Local 461 Defined Contribution Pension Fund you will receive a Special Tax Notice. Please read this notice carefully and consult your tax adviser before you submit your application, **especially if you elect a lump-sum distribution instead of a rollover distribution**. For most lump-sum distributions, the Fund Administrator is required to withhold part of the distribution for taxes.

**Avoid the 20% Tax Withholding**
The Special Tax Notice explains the details, but the bottom-line is that John Hancock is required by federal tax law to withhold 20% of your lump-sum payout unless you rollover your distribution to another qualified plan or a personal IRA. **But the 20% is just a down payment**. You will be required to add the entire distribution to your gross income, which might put you in a higher income tax bracket.

**If You Need the Money, Consider a Partial Distribution -** If you need just a portion of your account for current expenses, you can request a partial distribution. Your remaining balance will stay in the Plan and you will **avoid the fees and the investment risk of setting-up an account on your own**.

**Avoid the 10% Excise Tax**
Unfortunately the tax consequences of a Lump-sum Distribution do not stop with the 20% withholding, or even with the additional taxes you may owe at your highest marginal tax bracket. The IRS really wants you to save this money for retirement, so they add **an additional excise tax if you receive the distribution before you reach age 59½**. There are only a few ways to avoid this penalty tax; one is if you spend the distribution on deductible medical expenses (typically those that exceed 7.5% of your taxable income), or if the distribution is made in or after the year you reach age 55 (if you worked to age 55). One drawback of an IRA rollover is that the age 55 exemption will not apply, and you will have to wait until age 59½ to avoid the excise tax on IRA distributions.

**Avoid a Reduction in Your Unemployment Benefits**
In some states a distribution from the Plan may also reduce the amount you are eligible to receive in unemployment benefits. You should check with your state unemployment division before you file for benefits from this Plan - but that may be one more reason to avoid a lump-sum distribution.

**Consider Keeping Your Account in the Plan**
One of the best ways to preserve your retirement benefit is to keep your account in the Plan. You do not need to request a distribution from the Plan when you retire. The Plan will monitor the investments, keep a close eye on fees, and you can avoid the concern of managing your retirement account.

**If You Must Take a Lump-Sum Distribution Roll it to an IRA**
You can roll your account into your IRA and request partial distributions from your IRA as you need the cash. You will still pay income taxes on IRA withdrawals, but you will avoid the 20% withholding and shelter your earnings until you actually need the money. (Unfortunately, if you are over 55 and under 59½, IRAs do not have the age 55 exemption from the 10% excise tax described above.)

**So think twice before you request a lump-sum distribution.** Even if the distribution seems too small to matter, potentially spending 40%+ in taxes is a steep cost for receiving the distribution. **We recommend that you keep your account in the Plan or roll your distribution to an IRA.**