

ACCESSIBILITY OF BASIC RETIREMENT 401(a) PLAN ACCUMULATIONS QUESTIONS & ANSWERS

Q: What is accessibility and how does it affect me?

A: The University of Nebraska Basic Retirement 401(a) Plan allows separating and retiring faculty and staff lump sum access to TIAA and/or Fidelity Investments retirement plan accumulations, thereby providing additional settlement options. TIAA Traditional accumulations are distributed in annual disbursements over a period of nine years or through a lifetime annuity while other TIAA and Fidelity accumulations can be distributed in a lump sum payment.

Q: Who is eligible to access Basic Retirement 401(a) Plan accumulations?

A: A separating participant may have lump sum access to TIAA and/or Fidelity Investments accumulations following completion of the Notice and Acknowledgement Regarding Retirement Plan Distributions form.

Q: How much of my retirement plan accumulation may I access?

A: You may access up to 100% of your TIAA and/or Fidelity Investments retirement plan accumulations. TIAA Traditional accumulations are distributed in annual disbursements over a period of nine years or through a lifetime annuity while other TIAA and Fidelity accumulations are distributed in a lump sum payment.

Q: Is accessing Basic Retirement 401(a) Plan accumulations a wise choice?

A: Access to Basic Retirement 401(a) Plan accumulations may be desirable for some individuals, while others may not feel a lump sum distribution is in their best interest due to the higher risks (possible higher taxation, potential loss of investments, etc.) or the additional complexity involved.

Q: What circumstances would be appropriate to commence a lump sum distribution of Basic Retirement 401(a) Plan accumulations?

A: There are several situations when it would be appropriate to commence a lump sum distribution. Several of these situations include:

- 1) You have sufficient lifetime income from other sources. If, for example, your spouse's retirement plan is sufficient for both of you, and will continue to meet your needs if something happens to your spouse, you might decide to use your accumulation for other purposes.
- 2) You are an expert money manager with the knowledge and time to handle the details of your own investments, thus allowing you greater control over your retirement plan accumulations; or, you simply wish to utilize alternative investments and expertise.
- 3) You want to establish yourself in another business or career, thereby using your retirement plan accumulation as venture capital for a new career.
- 4) There are times when, realistically, a long-term annuity simply does not make sense, specifically when you are seriously ill.

Q: Are there any potential disadvantages to commencing a lump sum distribution of Basic Retirement 401(a) Plan accumulations upon separation or retirement?

A: There are several potential disadvantages to commencing a lump sum distribution, some of which are illustrated below:

- 1) Individuals who access their Basic Retirement 401(a) Plan accumulation should be aware of potential adverse tax consequences associated with lump sum distributions. Cash withdrawals may substantially increase your tax liability in the year of the withdrawal. You will owe taxes on employer contributions, your own pre-tax contributions, and all earnings. Also, if you are under age 59½ when you commence the withdrawal, you may be subject to an early penalty tax equal to 10% of the amount you withdraw. In addition, you will be subject to a required 20% withholding if the funds are not rolled over directly to another tax sheltered investment. Your personal situation, your age and work status, and taxation could seriously reduce the value of your cash withdrawal.
- 2) Unwise or risky investments may dissipate your future retirement income, leaving you without sufficient financial resources for retirement.
- 3) Even if you are not planning to retire in the near future, some day you will eventually retire. If you withdraw your retirement accumulation, even for a good reason, you may not have enough to live on when the time for retirement arrives.

Q: Before a decision is made to access Basic Retirement 401(a) Plan accumulations, is it advisable to consult with someone who has knowledge and expertise in the areas of finance and taxation?

A: Due to the complexity and importance of any decision regarding retirement plan accumulations, it is recommended that financial and/or legal guidance be obtained from a professional prior to formally requesting a lump sum distribution of your Basic Retirement 401(a) Plan accumulations.

Q: Why must I complete the university's Notice and Acknowledgement Regarding Retirement Plan Distributions form prior to accessing my Basic Retirement 401(a) Plan accumulations?

A: Any individual requesting a distribution of Basic Retirement 401(a) Plan accumulations will be required to sign the Notice and Acknowledgement Regarding Retirement Plan Distributions form which addresses 1) the Impact of a Retirement Plan Distribution on Reemployment and 2) Employment with the University of Nebraska or University-Controlled Entity.