



## Wisconsin Deferred Compensation Program EMERGENCY HARDSHIP WITHDRAWAL

The Wisconsin Deferred Compensation (WDC) Program allows participants to withdraw funds in the event of an “unforeseeable financial emergency” that causes a severe financial hardship as defined in Section 457 of the Internal Revenue Code (IRC). However, you must meet certain conditions. In addition, the WDC has to follow IRC rules and regulations. Please read this document carefully. The requirements are very strict.

### WHAT IS A FINANCIAL EMERGENCY?

According to the Internal Revenue Service (IRS) and its *Treasury Regulation 1.457-6(c)*, an unforeseeable emergency is a “**severe financial hardship**” to the participant or beneficiary resulting from:

- An illness or accident (including spouse or dependent)
- Loss of property due to casualty (including the need to rebuild a home following damage to the home not otherwise covered by homeowner’s insurance, e.g., as a result of a natural disaster)
- The imminent foreclosure of a primary residence
- The need to pay medical expenses, including nonrefundable deductibles, as well as the cost of prescription drug medication
- The need to pay for funeral expenses of a spouse or dependent

The unforeseeable emergency must be based on a financial hardship actually *experienced*, not one that is *expected to* or *may* happen. You must prove that you are experiencing a severe financial emergency and provide evidence that you have exhausted all other sources of income. Other sources may include:

- Reimbursement or compensation from insurance
- Liquidation of assets to the extent that this would not cause a severe hardship
- Cessation of deferrals

### WHAT IS NOT CONSIDERED A FINANCIAL EMERGENCY?

Under IRS regulations, the following examples are not typically considered financial emergencies:

- The purchase of a house or other real estate
- School tuition or other educational expenses
- Normal, ordinary living expenses, such as: mortgage, auto payments or repair costs, home remodeling, utility bills, loans, delinquent taxes, overdue credit card bills, the purchase of major appliances, losses or cash flow problems on properties held for investment, and marital separation or divorce

### HOW TO APPLY FOR A WDC FINANCIAL EMERGENCY WITHDRAWAL

If you feel your situation meets the IRC requirements for a financial emergency and your WDC account is the only choice you have, contact Great-West Financial<sup>SM</sup> at (877) 457-9327 and request an *Unforeseeable Emergency Withdrawal Request Form and Application*. Complete and submit it with your documentation to Great-West Financial. You must provide everything listed on the application form.

*Documentation to support your emergency claim is also required.* Your personal financial information will be used solely to determine eligibility to withdraw funds under the unforeseeable emergency withdrawal provision and will remain confidential.

Types of documentation that may be required include:

- A doctor's statement indicating required time off work as well as copies of payroll statements showing the pay rate before and after the illness or accident
- Copies of invoices and/or receipts showing the cost of repair after taking into account any reimbursement from the insurance company
- Letter from mortgage company or landlord, a copy of an eviction or mortgage foreclosure notice, or other documents showing the amount of rent or mortgage payment required to prevent eviction or foreclosure
- Explanation of Benefits from the insurance company or copies of bills or pre-determination of cost showing the amount payable to doctors, hospitals, etc., after taking into account any reimbursement from insurance
- Copies of invoices and/or receipts indicating the cost of burial or funeral expenses, taking into account any insurance reimbursement

The amount you request cannot exceed what is needed to pay your debt. The amount requested may include funds needed to pay federal and state income taxes as a result of the distribution. Emergency withdrawals are subject to federal taxes.

## THE REVIEW PROCESS

You must provide adequate documentation for your application to be evaluated. Great-West Financial will review your materials to determine if you meet the requirements for an unforeseeable emergency withdrawal. It takes up to five business days to completely review your withdrawal application and materials. If more documentation is required at any step in the process, your application will be delayed and may be denied. Please keep a copy of your application for your records.

If your application is approved:

- All funds will be withdrawn from your WDC account on a prorated basis
- The amount distributed will be reported on an IRS Form 1099-R and will be included in your gross income for both federal and state income tax purposes in the year the distribution is made
- Your deferrals to the WDC will be suspended for six months after a hardship withdrawal application is processed

## NEED HELP?

If you have any questions or need assistance with completing your application, contact Great-West Financial at (877) 457-9327.<sup>1,2</sup>

<sup>1</sup> Access to the voice response system may be limited or unavailable during periods of peak demand, market volatility, systems upgrades/maintenance or other reasons.

<sup>2</sup> Representatives of GWFS Equities, Inc. are not registered investment advisers and cannot offer financial, legal or tax advice. Please consult with your financial planner, attorney and/or tax adviser as needed.

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