

401(k) Rescue

Our 401(k) Fix-It Series

401(k) Rescue, the Ekon Benefits 401(k) Fix-It Series, describes the most common 401(k) mistakes as determined by the IRS. We provide explanations of common mistakes, suggested prevention techniques and recommendations on correction methods.

Does your 401(k) Plan need to be rescued?

Common Mistake #12—

Hardship distributions were not made properly

If allowed in the Plan, hardship distributions are designed to relieve an employee's "immediate and heavy financial need" when relief cannot be obtained using other sources reasonably available to the employee. Only certain sources of participant accounts are available for hardship distributions. Hardship distributions can generally be taken for:

- Medical expenses unreimbursed for the employee, employee's spouse, or dependents
- Purchase of the employee's primary residence or to prevent eviction or mortgage foreclosure on an employee's primary residence
- Certain expenses relating to the repair of damage to the employee's primary residence
- Post-secondary tuition and for related educational fees for the employee, employee's spouse, or dependents
- Funeral expenses for the employee's deceased parent, spouse, or dependent

Distributions may not be approved in excess of the amount required to satisfy the immediate and heavy need or when another reasonably accessible resource may have satisfied the need. Reasonably accessible resources may include reimbursement or compensation by insurance, liquidating the employee's assets, or ceasing the employee's elective deferrals or contributions. If hardship distributions are allowed in the Plan, hardship procedures should be in place and strictly followed to prevent error. Become familiar with plan provisions regarding hardship procedures. Keep a record of all information used in determining hardship distribution eligibility as well as the amount distributed to alleviate the hardship.

If an error was made regarding hardship distributions, the Self-Correction or Voluntary Correction programs under the Employee Plans Compliance Resolution System (EPCRS) may be available.

For a complete listing of the most common 401(k) mistakes, please visit the IRS 401(k) Plan Fix-It Guide at [http://www.irs.gov/Retirement-Plans/401\(k\)-Plan-Fix-It-Guide](http://www.irs.gov/Retirement-Plans/401(k)-Plan-Fix-It-Guide)

For assistance in correcting a plan error, please contact Ekon Benefits at (314)367.6555 or info@ekonbenefits.com