What You Need to Know

Will my payments be taxed?

In general, benefits paid from a pension, retirement savings plan, or Social Security may be subject to taxation. Consult your personal tax advisor for tax guidance.

Twenty percent of qualified lump-sum payments must be withheld for tax purposes—unless you roll them over directly into an IRA or other eligible retirement plan. The amount withheld will be subtracted from what you owe in income taxes for the year in which you took the lump sum.

If you're under age 59½ and don't do a rollover, you'll pay a 10% additional income tax (in addition to the regular income tax) on early distributions (any payment from the plan—including amounts withheld for income tax) unless an exception applies.

At age 73 (or 72 if you turned 72 prior to January 1, 2023), when you take a required minimum distribution, you will pay taxes on the taxable portion of the distribution.

Find more detailed information on the federal tax treatment of payments from employer plans in the following publications, available from a local IRS office, at the <u>IRS website</u>, or by calling **1-800-TAX-FORM**.

- IRS Publication 575, Pension and Annuity Income
- IRS Publication 590, Individual Retirement Arrangements (IRAs)
- IRS Publication 571, Tax-Sheltered Annuity Plans (403(b) Plans)

Each state has different withholding requirements.

- Some states require state income tax withholding.
- Some states have no income tax withholding.
- For some states, income tax withholding is optional and you're able to elect not to have withholding apply.

How can I defer paying taxes on a payment from my savings plan?

You may roll over partial distribution payments from the savings plan. You can't roll over annuity payments.

If you roll over a partial distribution payment to a qualified Individual Retirement Account ("IRA") or another tax qualified plan, you won't pay taxes until you receive distribution payments from the IRA or other tax qualified plan, and the 10% additional income tax won't apply if those payments are made after you're age 59½ (or if an exception applies).

Consult your personal tax advisor for additional tax guidance.

How long can I defer income tax?

You may be able to defer income taxes until you reach age 73 (or 72 if you turned 72 prior to January 1, 2023) by leaving your balance in a tax-qualified plan (if plan allows) or rolling over lump-sum payments into an IRA or another tax-qualified plan.