

# TDI Hardship Withdrawal Guide

Tax-Deferred Investment Plan – TDI 403(b)

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Your Oregon Public University Retirement Plan (OPURP) Tax-Deferred Investment 403(b) Plan (TDI Plan) allows for the withdrawal of funds in certain circumstances of severe financial distress. The Internal Revenue Service (IRS) has established rules that are applicable to hardship withdrawals. These rules state that to be eligible for a hardship withdrawal your hardship must represent an “immediate and heavy need” and that the amount of the distribution from the plan may not exceed the amount of the demonstrated need. Hardship withdrawals from OPURP Tax-Deferred Investment 403(b) Plan are available for six IRS-defined hardship situations as outlined below in situations where you have unpaid expenses.

### Types of Allowable Distributions:

- ☐ **Funeral Expenses:** Payment for burial or funeral expenses for your deceased parent, spouse, children, dependents, or primary beneficiary.
- ☐ **Home Repair:** Expenses for the repair of damage on your primary residence that would qualify for the casualty deduction under IRC §165.
- ☐ **Medical Expenses:** Necessary medical expenses not reimbursable by an insurance plan which have been incurred by you, your spouse, any of your dependents, or primary beneficiary, or that are necessary for these persons to obtain necessary medical care.
- ☐ **Post-Secondary Education:** Payment of tuition, related educational fees, and room & board expense for the next 12 months of post-secondary education for yourself, your spouse, children, dependents, or primary beneficiary.
- ☐ **Prevent Eviction/Foreclosure:** The need to prevent your eviction from your principal residence or foreclosure on the mortgage of your principal residence.
- ☐ **Purchase of Primary Residence:** Purchase (excluding mortgage payments) of your personal primary residence

#### Disclaimer – Please read carefully

This material is intended to assist in the administration of the plan. If it conflicts with any formal plan documentation (including, but not limited to, the Plan Document), the formal plan documentation prevails.

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### Explore Alternative Options:

Prior to requesting a hardship withdrawal, you should consider all alternative options that may be available to you. Examples of these options include:

- ☐ **Separation from Service** – If you are no longer employed by an Oregon public university, you are eligible to withdraw your contributions and earnings from the TDI Plan.
- ☐ **Age 59½ Withdrawal** – If you are older than age 59½ you are eligible to withdraw your contributions and earnings from the TDI Plan.
- ☐ **Loan** – You may be eligible for a loan from the TDI Plan.

**Please talk with your plan sponsor for details about how to request one of these distributions.**

### Other considerations:

#### **Possible tax implications:**

Hardship withdrawals are subject to federal income taxes. Additionally, if you are under 59½ you may be subject to a 10% early withdrawal penalty. State and local taxes may also apply. Your hardship amount may include an additional amount to cover taxes and penalties expected to result from the withdrawal. Please speak with your tax advisor and plan sponsor representative for additional information.

#### **Eligible Assets:**

You are eligible to withdraw the amount of non-Roth contributions that you deferred into the TDI Plan and any earnings on your non-Roth contributions.

#### **Unpaid, Outstanding Expenses:**

The hardship withdrawal provision is intended solely for situations where your financial need cannot be satisfied through any other means. Accordingly, as regulated by the IRS, hardship withdrawals are only available for expenses that are still unpaid and outstanding, not for past expenses that have been satisfied through other means.

#### **Fees:**

OPURP does not charge a fee for processing hardship withdrawal requests, but your TDI provider might. Please speak with your provider representative to see what fees may apply in your specific situation.

### How to Apply:

- 1) Read this document for more information about hardship withdrawals.

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- 2) Obtain and complete a hardship withdrawal form from your TDI provider.
- 3) Collect the appropriate documentation to support your request and submit to our office (see below).

**RETIREMENT PLANS MANAGEMENT  
ATTN: CRYSTAL FARSET  
6226 UNIVERSITY OF OREGON  
EUGENE, OREGON 97403**

**FAX: (541) 346-5783  
EMAIL: [OPURP@UOREGON.EDU](mailto:OPURP@UOREGON.EDU)**

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### Funeral Expenses:

Payment for burial or funeral expenses for your deceased parent, spouse, children, dependents, or primary beneficiary. "Primary beneficiary" means an individual who is a primary beneficiary of your account from which your hardship withdrawal is made.

### Required Documentation:

The hardship withdrawal request that you submit to OPURP must be accompanied by documentation in order for us to keep the plan in compliance with the IRS Regulations.

- Copies of bills/invoices in your name.
- Proof of relationship to the deceased, such as tax documentation or financial paperwork.

### Home Repair:

Expenses for the repair of damage on your primary residence that would qualify for the casualty deduction under IRC §165.

### What is (and is not) includable as a home repair expense?

“A casualty is the damage, destruction, or loss of property resulting from an identifiable event that is sudden, unexpected, or unusual.”

- A sudden event is one that is swift, not gradual or progressive.
- An unexpected event is one that is ordinarily unanticipated and unintended.
- An unusual event is one that is not a day-to-day occurrence and that is not typical of the activity in which you were engaged.” – IRS Publication 547

Additional information about qualifying home repairs can be found in IRS publication 547: <http://www.irs.gov/publications/p547/index.html> (examples can be found in the ‘Casualty’ section)

### Required Documentation:

The hardship withdrawal request that you submit to OPURP must be accompanied by documentation in order for us to keep the plan in compliance with the IRS Regulations.

- Copy of estimate.
- Letter of denial of coverage from the insurance company.

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### Medical Expenses:

Necessary medical expenses not reimbursable by an insurance plan which have been incurred by you, your spouse, any of your dependents, or your primary beneficiary, or that are necessary for these persons to obtain necessary medical care. "Primary beneficiary" means an individual who is a primary beneficiary of your account from which your hardship withdrawal is made.

#### **What is (and is not) includable as a ‘medical expense’?**

“Medical expenses are the costs of diagnosis, cure, mitigation, treatment, or prevention of disease, and the costs for treatments affecting any part or function of the body. They include the costs of equipment, supplies, and diagnostic devices needed for these purposes. They also include dental expenses. Medical care expenses must be primarily to alleviate or prevent a physical or mental defect or illness. They do not include expenses that are merely beneficial to general health, such as vitamins or a vacation.” – IRS Publication 502

Additional information about qualifying medical expenses can be found in IRS publication 502: <http://www.irs.gov/publications/p502/index.html>

#### **Required documentation:**

The hardship withdrawal request that you submit to OPURP must be accompanied by documentation in order for us to keep the plan in compliance with the IRS Regulations.

- If the bill is for a spouse or dependent, copies of tax documentation or official paperwork proving their relationship to you is required.
- Copies of medical bills for services which show the portion covered by medical insurance carrier, and/or the explanation of benefits from the insurance carrier.
- If NO portion was covered by insurance, a letter on company letterhead from the insurance company explaining that the procedure was not covered.
- If you do not have insurance coverage you must provide proof, such as documentation from your employer showing no election for insurance coverage.

### Post-Secondary Education:

Payment of tuition, related educational fees, and room & board expense for the next 12 months of post-secondary education for yourself, your spouse, children, dependents, or primary beneficiary. "Primary beneficiary" means an individual who is a primary beneficiary of your account from which your hardship withdrawal is made.

#### **What is (and is not) includable as post-secondary education tuition and expenses?**

Tuition, related educational fees, and room & board expense for the next 12 months

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### *ALLOWED\**

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- Tuition & related educational fees
- Expenses for room & board

### *NOT ALLOWED\**

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- Reimbursement for past tuition amounts.
- Books, supplies and equipment, unless billed by the institution as part of fees

\* Examples are not detailed or all-inclusive.

### **Required Documentation:**

The hardship withdrawal request that you submit to OPURP must be accompanied by documentation in order for us to keep the plan in compliance with the IRS Regulations.

- Tuition statement or school invoice on letterhead from the institution showing the student's name and amount owed. The statement must be for the current quarter/semester in which the student is enrolled and/or up to 12 months into the future. (No reimbursement for past schooling permitted.)
- If the student is a spouse or dependent, copies of tax documentation or official paperwork proving their relationship to you is required.

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### Prevention of Eviction / Foreclosure:

The need to prevent your eviction from your principal residence or foreclosure on the mortgage of your principal residence. The amount of the hardship may be in the amount sufficient to bring all payments current as of the date the withdrawal is received.

### What is includable as an expense for the purpose of preventing eviction or foreclosure?

#### *ALLOWED\**

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- Prevent eviction from your principal residence
- Prevent foreclosure on the mortgage on your principal residence

#### *NOT ALLOWED\**

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- Rental properties
- Vacation home

\* Examples are not detailed or all-inclusive.

### Required Documentation:

The hardship withdrawal request that you submit to OPURP must be accompanied by documentation in order for us to keep the plan in compliance with the IRS Regulations.

- Notice of foreclosure or eviction on letterhead stating the date of impending foreclosure/ eviction and the dollar amount needed to prevent such action. (principal residence only)
- If you rent, a copy of your original lease agreement is required.
- If the foreclosure or eviction notice is in your spouse's name, copies of tax documentation or marriage certificate proving your spouse's relationship to you.

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### Purchase of Primary Residence:

A hardship withdrawal for the Purchase (excluding mortgage payments) of your personal primary residence.

### What is includable in a withdrawal for the purpose of the purchase of your primary residence?

#### *ALLOWED\**

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- Down payment
- Closing cost
- The purchase of land on which your primary residence will be immediately built.

#### *NOT ALLOWED\**

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- Mortgage payments
- Rental properties
- Vacation home

\* Examples are not detailed or all-inclusive.

### Required Documentation:

The hardship withdrawal request that you submit to OPURP must be accompanied by documentation in order for us to keep the plan in compliance with the IRS Regulations.

- Copy of the purchase agreement signed by the buyer and seller that includes the closing date and balance of the purchase price.
- Good faith estimate issued by a bank or mortgage company (not by a realtor).



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### Hardship Withdrawal Checklist

#### 1) Are you eligible for any of the following distributions?

- ☐ Separation from Service
- ☐ Age 59½ Withdrawal
- ☐ Loan

**If yes to any one of these situations, it is recommended that you take that distribution prior to taking a hardship distribution.**

#### 2) Do you have a hardship in one of the following areas?

#### 3) Do you have appropriate documentation related to your hardship event?

- ☐ **Funeral Expenses:**
  - Copies of bills/invoices in your name.
  - Proof of relationship to the deceased.
- ☐ **Home Repair:**
  - Copy of estimate.
  - Letter of denial of coverage from the insurance company.
- ☐ **Medical Expenses:**
  - If for a spouse or dependent: proof of relationship to you.
  - Copies of medical bills for service and/or the explanation of benefits.
- ☐ **Post-Secondary Education:**
  - Tuition statement or school invoice.
  - Proof of relationship to student.
- ☐ **Prevent Eviction/Foreclosure:**
  - Notice of foreclosure or eviction
  - If you rent, a copy of your original lease agreement is required.
  - Proof of relationship if the lease/mortgage is in your spouse's name.
- ☐ **Purchase of Primary Residence:**
  - Copy of the purchase agreement.
  - Good faith estimate issued by a bank or mortgage company.

#### 4) Amount requested must be less than or equal to the amount of the need demonstrated in your documentation.

Amount requested: \$\_\_\_\_\_ is less than or equal to:

Documented amount: \$\_\_\_\_\_

**\*\* This checklist is a simplified format designed as a preparation aid. For complete definitions and additional information please refer to the earlier portions of this guide. This checklist does not need to be submitted with your application to OPURP. \*\***