

January 3, 2006

Reminder: Two Hardship Withdrawals Added in 2006

The final 401(k) regulations added two additional reasons for a hardship withdrawal. Specifically, a plan participant will be permitted a withdrawal under a 401(k) plan for:

1. Funeral expenses for the participant's deceased parent, spouse, child or dependent; and
2. Expenses for the repair of damage to the participant's principal residence that would qualify for a casualty deduction, *e.g.*, damage resulting from a hurricane (determined without regard to whether the loss exceeds 10% of adjusted gross income).

The final regulations are effective for plan years beginning on or after January 1, 2006. Thus, for calendar plan years, the two additional financial hardships are effective for hardship withdrawals requested after December 31, 2005.