Principal Financial Group

Mailing Address:
P.O. Box 9394
Des Moines, IA 50306-9394

Principal Life Insurance Company

Small Amounts Benefit Election

You are entitled to a distribution according to the Small Amounts provision of the retirement plan. The Small Amounts provision states that a benefit will be paid upon termination of employment if the present value of the benefit is less than a specified amount ($5,000 or less in some plans).

There are three ways you can choose to receive your distribution. These options are described as follows:

1. **Direct Rollover. This option allows you to keep your money tax deferred.**
2. **Principal Bank Consolidation Account. This option is an interest-bearing checking account (see page 2 for more details). This option is subject to 20% federal tax withholding.**
3. **Paid to You in Cash – This option is subject to 20% federal tax withholding.**

If this form is not completed and returned within 60 days, we will begin processing a check payable to you.

Tax Information

You should review the *Special Tax Rules For Your Benefit Payment* portion of this form. This section outlines how your distribution can affect your taxes. As always, you should consult a tax advisor or financial consultant about financial decisions.

Participant Information

Section 1 – Personal Information (Please print in black ink)

Plan Sponsor	Contract Number/Plan ID	Participant ID Number (if different than Social)	

Social Security Number	Participant Name (first)	(middle initial)	(last)

Participant Address (street)	(city)	(state)	(ZIP Code plus 4-digit)

State of Legal Residency (for taxation)	Date of Birth	Daytime Phone Number	Evening Phone Number

Section 2 – Distribution Benefit Election

1. Direct Rollover

Please process a direct rollover of my benefits by sending the funds directly to the following:

- ☐ An IRA with the Principal Financial Group® (Call 1-800-247-8000, ext. 753 for additional forms.)
- ☐ An IRA with another institution. You must have an IRA set up before a direct rollover can occur. (See mailing information below.)*
- ☐ A qualified retirement plan. If you're changing jobs, you may be able to move your money into your new employer's qualified retirement plan, if one exists. (Ask your new plan sponsor for instructions and mailing information.) *

**Note: If you elect a Rollover to an IRA with another institution or to another qualified plan, you must contact the financial institution or the retirement plan sponsor before you request a direct rollover. The financial institution or retirement plan will give you the information you need to make a direct rollover.*

NOTE: Not all financial institutions or qualified plans will accept all types of rollovers. Please check with the receiving financial institution or plan sponsor before completing and submitting this form to our office to see if your account can be rolled over. Then please complete the following:

I have checked with the receiving Plan or Financial Institution and they (check the appropriate box):

- ☐ <u>WILL</u> accept all contributions from this existing account
- ☐ <u>WILL NOT</u> accept all contributions from this existing account

If you have indicated the plan or financial institution will not accept all contributions, we will distribute only the pre-tax gross and earnings as a Rollover. All remaining money will be issued to you directly in cash unless instructed otherwise on a separate sheet of paper. ☐ Check here if you are including additional instructions.

Mailing Instructions:

Issue Check to: Financial Institution or Qualified Retirement Plan as indicated below:

Name of Financial Institution, Trust Account, or Trustees		Account/Identification Number

Mailing Address of Financial Institution	Name of Contact at Financial Institution	

City	State	ZIP Code plus 4-digit

Mail Check to: (Complete only if different than information supplied above.)

Name of Financial Institution, Trust Account, or Trustees		

Mailing Address of Financial Institution	Name of Contact at Financial Institution	

City	State	ZIP Code plus 4-digit

2. Distribution – Paid to Principal Bank Consolidation Account ☐

This option is considered a cash distribution and subject to 20% federal tax withholding at the time we transfer your account balance to Principal Bank.

Your money is deposited into an interest bearing Principal Bank checking account. You have access to your money through a checkbook, debit card, online transfers and electronic bill payment. Other features include online access to statement information and optional overdraft protection. FDIC Insured.

I would like ________% (percent) OR $ ______________ (dollar amount) of my retirement funds in the retirement plan directed to a Principal Bank Consolidation Account. Federal tax law requires you to provide the following information before any retirement funds can go to the Principal Bank Consolidation Account:

Substitute Form W-9: Social Security Number or Taxpayer Identification Number: ______-_____-______.

Status:
- ☐ I am a U.S. Person. (This includes a resident alien of the United States.)
- ☐ I am not a U.S. person. (Note: Please complete and submit the appropriate version of IRS Form W-8 when returning this Form.)

Backup Withholding: Under the provisions of Section 3406(a)(1)(C) of the Internal Revenue Code:
- ☐ I am not subject to backup withholding.
- ☐ I am subject to backup withholding. (Note: This box must be marked if you have been notified that you are currently subject to backup withholding.)

Certification: UNDER THE PENALTIES OF PERJURY, I certify by my signature below that the information provided in this section is true, current and complete. The personal information provided in Section 1 is also true and complete to the best of my knowledge.

Signature	Date

3. Distribution – Paid to You In Cash. ☐

This option is subject to 20% federal tax withholding. See the Special Tax Rules For Your Benefit Payment portion of this form.

You will receive a check payable to you for the amount due you from the retirement plan.

Section 3 – Additional Tax Withholding

For information about the tax and withholding consequences of your benefit choice, see *the Special Tax Rules For Your Benefit Payment* portion of this form. The Principal Financial Group cannot automatically withhold extra amounts for excise taxes nor can it withhold extra income taxes unless you indicate that an additional amount should be withheld.

If you want *additional* amounts withheld from your cash distribution which can be rolled over, check the appropriate box below:
- ☐ Withhold additional federal taxes of 10%
- ☐ Withhold additional federal taxes of ____________ (insert percent or dollar amount)
- ☐ I do not want extra federal taxes withheld (if no box is checked, this is the default)

Revocability of Benefit Election– The benefit form selected may be revoked prior to the date the payment is made. After the payment starting date, the benefit form cannot be changed.

Section 4 – Participant Signature

Note: Federal tax law requires a payment cannot be made any sooner than 30 days after I receive this form or later than 90 days after I sign this form. However, my signature below is an affirmative election for the distribution option chosen on this election form and waives the 30-day waiting period as allowed by law. I understand if 90 days have passed since I signed the *Small Amounts Benefits Election* form, I should request another copy to restart the time limit described above.

To ensure compliance with the time limit, **I certify:**
I received the Small Amounts Benefit Election form on _______/_______/_______ (Use your best estimate if you're not sure of the exact date.)

Signature	Date
X	

Insurance products and plan administrative services are provided by Principal Life Insurance Company. Bank products and services offered by Principal Bank, Des Moines, IA 50392-0040, member FDIC. Insurance and securities products are:
- *not insured by the FDIC*
- *not deposits or other obligations of Principal Bank nor guaranteed by Principal Bank*
- *subject to investment risk, including possible loss of the principal invested*

Principal Life and Principal Bank are members of the Principal Financial Group, Des Moines, IA 50392

Plan Sponsor Section

General Information & Basic Data (Please use black ink)

Date Employment Ended ___________/__________/__________

Benefit Event: ☐ Termination of Employment ☐ Retirement

Hours-of-service the participant worked from the beginning of your plan's current computation period to date employment ended (Complete only if your plan requires minimum hours to earn vesting service.) ___________________

Current Plan Year Compensation $ ________________

Current Plan Year Contributions $ _________________If applicable, show amount of the participant's contributions made from the preceding plan anniversary date to termination date.

Benefit Check

Issue Check to:

☐ Participant ☐ Plan Trustee ☐ Financial Institution or Qualified Retirement Plan as directed by the participant

☐ Other - attach explanation

Mail check to:

☐ Participant ☐ Plan Trustee ☐ Financial Institution or Qualified Retirement Plan as directed by the participant

☐ Employer ☐ Other - attach explanation

Complete when Principal Life Insurance Company does NOT perform plan recordkeeping services:

Plan Entry Date: ______________________

Normal Retirement Date: _____________________

Monthly Income Amount $ ____________________

Total contributions, if applicable, made by Participant: Without Interest $ _________________

With Interest $ _________________

Plan Sponsor Signature

I certify the above information is true and correct. I authorize Principal Life Insurance Company to make a distribution to this participant of the current benefit and future benefits that may be earned by the participant according to the terms of our plan.

Note: The law requires you to give participants a written description of their distribution choices. Payment must commence within a 30 to 90 day period of when a participant signs this form. However, an affirmative election by a participant can waive the 30-day waiting period as allowed by law. The law also requires you to give participants a written description of rollover rules if the distribution is eligible to be rolled over. The "Special Tax Rules" on pages 4 through 6 satisfies this requirement.

Plan Sponsor Signature	Title	Date
X		

Plan Trustee Signature (if applicable)	Date
X	

Principal Life Insurance Company Use Only

By	Date Received

Special Tax Rules For Your Benefit Payment Legal Requirements

This notice contains important information you will need before deciding how to receive your benefits. The plan participant has a right to a period of at least 30 days after receiving these "Special Tax Rules" to consider the decision of whether to elect a distribution (and, if applicable, a particular distribution option).

For the purpose of this form the term "employer plan or retirement plan" means a retirement plan qualified under Internal Revenue Code Section 401(a), a Section 403(a or b) annuity, or a Governmental 457 plan. The term IRA means traditional IRA (unless otherwise indicated).

Summary

A payment from the Plan eligible for rollover can be taken in two ways. You can have ***all or any portion*** of your payment either:

1) Paid In A Direct Rollover, or
2) Paid To You.

A rollover is a payment of your plan benefits to your Individual Retirement Arrangement (IRA) or to another employer plan. This choice will affect the tax you owe.

1. Direct Rollover

Your payment will not be taxed in the current year and no income tax will be withheld.

Your payment will be made directly to your IRA, or you can choose to make payment to another qualified retirement plan that accepts your rollover.

Your payment cannot be rolled over to a Roth IRA, a SIMPLE IRA or a Coverdell Education Savings Account (formerly known as an education IRA).

The taxable portion of your payment will be taxed later when you take it out of the IRA or the retirement plan. Depending on the type of plan, the later distribution may be subject to different tax treatment than it would be if you received a taxable distribution from this Plan.

2. Benefits Paid to You

You will receive only 80% of the taxable amount of the payment because the plan administrator is required to withhold 20% of the payment. This amount will be sent to the IRS as income tax withholding to be credited against your taxes.

The taxable amount of your payment will be taxed in the year of distribution unless you roll it over. Under limited circumstances, you may be able to use special tax rules that could reduce the tax you owe. However, if you receive the payment before age 59½, you also may owe an additional 10% tax.

You can roll over all or part of the payment to your IRA or to another retirement plan that accepts your rollover within 60 days of the distribution. The amount rolled over won't be taxed until you take it out of the IRA or employer plan.

If you want to roll over 100% of the payment to an IRA or an employer plan, ***you must find other money to replace the 20% of the taxable portion that was withheld.*** If you roll over only the 80% you received, you will be taxed on the 20% not rolled over.

Important Considerations

An eligible employer plan is not legally required to accept a rollover. Before you decide to roll over your payment to another employer plan, you should find out whether the plan accepts rollovers and, if so, the types of distributions it accepts as a rollover. You should also find out about any documents that are required to be completed before the receiving plan will accept a rollover. Even if a plan accepts rollovers, it might not accept rollovers of certain types of distributions, such as after-tax amounts. If this is the case, and your distribution includes after-tax amounts, you may wish instead to roll your distribution over to a traditional IRA or split your rollover amount between the employer plan in which you will participate and a traditional IRA. If an employer plan accepts your rollover, the plan may restrict subsequent distributions of the rollover amount or may require your spouse's consent for any subsequent distribution. A subsequent distribution from the plan that accepts your rollover may also be subject to different tax treatment than distributions from this Plan. Check with the administrator of the plan that is to receive your rollover prior to making the rollover.

Payments Eligible/Not Eligible for Rollover

Payments from the Plan may be "eligible rollover distributions." This means that they can be rolled over to an IRA or to another retirement plan that accepts rollovers. Call 1-800-547-7754, 7 a.m. - 9 p.m. Monday – Friday or 8 a.m. – 2 p.m. on Saturday (Central Time), to determine what portion of your payment is an eligible rollover distribution and/or how much of your payment is the taxable portion and how much is the after-tax portion.

Nontaxable Payments

If you have made "after-tax" employee contributions to the Plan, these contributions may be rolled into either a traditional IRA or to certain employer plans that accept rollovers of the after-tax contributions. (After-tax employee contributions generally are contributions you made from your own pay that were already taxed.) The following rules apply:

a) **Rollover into a Traditional IRA** – After-tax contributions to a traditional IRA may be rolled over either directly or indirectly. If you roll over after-tax contributions to a traditional IRA, it is your responsibility to keep track of, and report to the IRS on the applicable forms, the amount of these after-tax contributions. This will allow the nontaxable amount of any future distributions from the traditional IRA to be determined. (Note: Once you roll over your after-tax contributions to a traditional IRA, those amounts **cannot** later be rolled over to an employer plan.)

b) **Rollover into an Employer Plan** – After-tax contributions from an employer plan that is qualified under Code Section 401(a) or a Section 403(b) annuity plan may be directly rolled to another such plan if the other plan provides separate accounting for amounts rolled over, including the after-tax employee contributions and their earnings. You can also roll over after-tax contributions from a Section 403(b) tax-sheltered annuity to another 403(b) tax-sheltered annuity if separate accounting is provided for the after-tax employee contributions and their earnings. You **cannot** roll over after-tax contributions to a governmental 457 plan. If you want to roll over your after-tax contributions to an employer plan that accepts these rollovers, you cannot have your after-tax contributions paid to you first. You must request a direct rollover to the plan. Also, you cannot first roll over after-tax contributions to a traditional IRA and then roll over that amount into an employer plan.

Periodic Payments

You **can't** roll over a payment if it is part of a series of equal (or almost equal) payments made at least once a year and that will last for:

- Your lifetime (or your life expectancy).
- Your lifetime and your beneficiary's lifetime (or life expectancies).
- A period of ten years or more.

Required Minimum Distribution

Beginning when you reach age 70½ or retire, whichever is later, a certain portion of your payment cannot be rolled over because it is a required minimum payment that must be paid to you. (Special rules apply if you own more than 5% of your employer.) Amounts in excess of the required minimum payment are eligible rollover distributions.

Hardship Distributions

A hardship distribution cannot be rolled over.

Direct Rollover

You can choose a direct rollover of all or any portion of your payment that is an "eligible rollover distribution," as described above. In a direct rollover, the eligible rollover distribution is paid directly from the Plan to an IRA or another retirement plan that accepts rollovers. If you choose a direct rollover, you are not taxed on a payment until you later take it out of the IRA or qualified plan.

Direct Rollover to an IRA

You can open an IRA to receive the direct rollover. (The term IRA includes Individual Retirement Accounts and Individual Retirement Annuities.) If you choose to have your payment made directly to an IRA, contact an IRA sponsor (the Principal Financial Group or other) to find out how to have your payment made in a direct rollover to an IRA at that institution. If you are not sure how to invest your money, you can temporarily establish an IRA to receive the payment.

However, you may wish to consider whether the IRA you choose will allow you to move without penalties or limitations all or part of your payment to another IRA at a later date. See IRS Publication 590, ***Individual Retirement Arrangements,*** for more information on IRAs (including limits on frequencies of rollovers between IRAs).

Direct Rollover to a Plan

If you are employed by a new employer that has a plan and you want a direct rollover to that plan, ask the administrator of that plan whether it accepts rollovers. A retirement plan is not legally required to accept rollovers. If your new employer's plan does not accept rollovers, you can choose a direct rollover to an IRA.

Direct Rollover of a Series of Payments

If you receive eligible rollover distributions that are paid in a series for less than 10 years, your choice to make a direct rollover for a payment will apply to all later payments in the series until you change your election. You are free to change your election for any later payment in the series.

Payments Made to You

Mandatory Withholding

If any portion of your payment can be rolled over and the payment is made to you in cash, the Plan is required by law to withhold 20% federal income tax on the taxable portion. (State tax withholding may also apply.) This amount is sent to the IRS as income tax withholding. For example, if your eligible rollover distribution is $10,000, only $8,000 may be paid to you because the Plan must withhold $2,000 as income tax. However, when you prepare your income tax return for the year, unless you make an indirect rollover within 60 days, you will report the full $10,000 as a payment from the Plan. You will report the $2,000 as tax withheld, and it will be credited against any income tax you owe for the year.

Voluntary Withholding

If any portion of your payment is taxable but cannot be rolled over, the 20% mandatory withholding rules do not apply. In this case, a standard 10% withholding will apply; however, you may elect out of this withholding or elect a different withholding amount. To request a change in withholding, ask the plan administrator for the election form and related information.

Sixty-Day Rollover Option

If you receive an eligible rollover distribution, you can decide to roll over all or part of it to an IRA or another employer plan that accepts rollovers. If you decide to roll over, ***you must make the rollover within 60 days of the distribution.*** The portion of your payment that is rolled over will not be taxed until you take it out of the IRA or the employer plan.

You can roll over up to 100% of the eligible rollover distribution, including an amount equal to the 20% that was withheld. If you choose to roll over 100%, you must replace the 20% withheld within the 60-day period to the IRA or the employer plan. If you roll over only the 80% that you received, you will be taxed on the 20% that was withheld.

Example: The taxable portion of your payment is $10,000 and you choose to have it paid to you. You will receive $8,000 and $2,000 will be sent to the IRS as income tax withholding. Within 60 days after the $8,000 distribution, you may roll over the entire $10,000 to an IRA or employer plan. To do this, you roll over the $8,000 you received from the Plan, and you replace $2,000 from other sources (your savings, a loan, etc.). In this case, the entire $10,000 is not taxed until you take it out of the IRA or employer plan. If you roll over the entire $10,000, when you file your income tax return you may get a refund of part or all of the $2,000 withheld.

If you roll over only $8,000, the $2,000 you did not roll over will be taxed in the year it was withheld. When you file your income tax return, you may get a refund of part of the $2,000 withheld. (However, any refund is likely to be larger if you roll over the entire $10,000.)

Additional 10% Tax If You Are Under Age 59½

If you receive a payment before you reach age 59½ and you do not roll it over, then you may have to pay an extra 10% (in addition to regular income tax) on the taxable portion. The additional 10% tax does not apply to your payment if it is:

1. Paid to you because you separated from service with your employer during or after the year you reached age 55.
2. Paid because you retired due to disability.
3. Paid to you as equal (or almost equal) payments over your life or life expectancy (or you and your beneficiary's lives or life expectancies).
4. Used to pay certain medical expenses.
5. Payments paid directly to the government to satisfy a federal tax levy.
6. Payments paid to an alternate payee under a Qualified Domestic Relations Order (QDRO).
7. Dividends paid with respect to stock by an employee stock ownership plan (ESOP) as described in Code Section 404(k).

The additional 10% tax will not apply to distributions from a governmental 457 plan, except to the extent the distribution is attributable to an amount you rolled over to that plan (adjusted for investment returns) from another type of eligible employer plan or IRA. Any amount rolled over from a governmental 457 plan to another type of eligible employer plan or traditional IRA will become subject to the additional 10% tax if it is distributed to you before you reach 59½ unless one of the exceptions applies.

See IRS Form 5329 for more information on the additional 10% tax.

Special Tax Treatment

If your eligible rollover distribution is not rolled over, it will be taxed in the year of distribution. However, if it qualifies as a "lump sum distribution," it may be eligible for special tax treatment. A lump sum distribution is a payment, within one year, of your entire balance under the Plan (and certain other similar plans of the employer) that is payable to you because you have reached 59½ or have separated from service with your employer (or, in the case of a self-employed individual, because you have reached age 59½ or have become disabled). For a payment to qualify as a lump sum distribution, you must have been a participant in the Plan for at least five years before the year in which you receive the distribution. The special tax treatment for a lump sum distribution is described below.

Ten Year Averaging If You Were Born Before January 1, 1936

If you receive a lump sum distribution and you were born before January 1, 1936, you can make a one-time election to determine taxes on the payment by using "10-year averaging" (using 1986 tax rates). Ten-year averaging often reduces the tax you owe because it treats the payment much as if it were paid over ten years.

Capital Gain Treatment If You Were Born Before January 1, 1936

If you receive a lump sum distribution and were born before January 1, 1936, you may elect to have the part of your payment that is attributable to your pre-1974 participation in the plan (if any) taxed as long-term capital gain at a rate of 20%.

There are limitations on the special tax treatment for lump sum distributions. For example, you can generally elect this special tax treatment only once in your lifetime, and the election applies to all lump sum distributions you receive in that year. You may not elect this special tax treatment if you rolled amounts into this Plan from a 403(b) tax sheltered annuity contract, a governmental 457 plan, or from an IRA not originally attributable to a qualified employer plan. If you have previously rolled over a payment from the Plan (or certain other similar plans of the employer), you cannot use this special tax treatment for later payments from the Plan. If you roll over your payment to a traditional IRA, governmental 457 plan, or 403(b) tax sheltered annuity, you will not be able to use this special tax treatment for later payments from the IRA, plan, or annuity.

Also, if you roll over only a portion of your payment to a traditional IRA, governmental 457 plan, or 403(b) tax sheltered annuity, this special tax treatment is not available for the rest of the payment.

See IRS Form 4972 for additional information on lump sum distributions and how you elect the special tax treatment.

What Happens to Outstanding Loans? (may not be applicable for your plan)

When you leave your employer, any outstanding loan from your retirement plan may be due and payable. You may be able to repay your loan before we distribute any funds in your retirement plan.

If you don't pay your loan in full within a specified number of days of ending your employment (as stated in your plan), the amount outstanding **may be reported as a taxable distribution to the IRS.** At this time the participant's accrued benefit is reduced (offset) in order to repay the loan.

The plan loan offset amount is eligible for rollover distribution if rolled to an IRA or qualified plan within 60 days from the date it is considered a taxable distribution from the plan.

If the amount of your loan offset is the only amount you receive or are treated as having received, no amount will be withheld from it. If you receive other payments of cash or property from the Plan, the 20% withholding amount will be based on the entire amount paid to you, including the amount of the loan repayment.

In the event of a default, foreclosure on the note may occur once you reach a benefit event. The amount of a defaulted plan loan that is a taxable deemed distribution cannot be rolled over.

Call 1-800-547-7754, 7 a.m. - 9 p.m. Monday - Friday or 8 a.m. – 2 p.m. on Saturday (Central Time), to ask how your retirement plan specifically treats outstanding loans.

Surviving Spouses, Alternate Payees and Other Beneficiaries

In general, the rules that apply to employee payment also apply to payments to surviving spouses of employees and to spouses or former spouses who are "alternate payees." You are an alternate payee if your interest in the Plan results from a "Qualified Domestic Relations Order," an order issued by a court, usually in connection with a divorce or legal separation. Some of the rules summarized above also apply to a deceased employee's beneficiary who is not a spouse. However, there are some exceptions for payments to surviving spouses, alternate payees, and other beneficiaries. **If you are a surviving spouse or an alternate payee,** you have the same choices as the employee. You can have a payment paid as a direct rollover or paid to you. If you have it paid to you, you can keep it, roll it over to an IRA, or roll it over to another eligible employer plan that accepts rollovers. **If you are a beneficiary other than the surviving spouse,** you **cannot** choose a direct rollover, and you ***cannot*** roll over the payment yourself.

If you are a surviving spouse, an alternate payee, or another beneficiary, your payment is not subject to the additional 10% tax, even if you are younger than age 59½.

If you are a surviving spouse, an alternate payee, or another beneficiary, you may be able to use the special tax treatment for lump sum distributions and the special rule for payments that includes employer stock. If you receive a payment because of the employee's death, you may be able to treat the payment as a lump sum distribution if the employee met the appropriate age requirements, whether or not the employee had five years of participation in the plan.

Plans with Employer Stock or Securities *(may not be applicable for your plan)*

If your plan offers employer securities, please call us at 1-800-547-7754, 7 a.m. – 9 p.m. Monday - Friday or 8 a.m. – 2 p.m. on Saturday (Central Time), for more information.

For More Information

This notice summarizes only the federal (not state or local) tax rules that might apply to your payment. The rules described above are complex and contain many conditions and exceptions that are not included in this notice. Therefore, you may want to consult with a professional tax advisor *before* you take a payment of your benefits from the plan. Also, you can find more specific information on the tax treatment of payments from qualified retirement plans in IRS Publication 575, ***Pension and Annuity Income,*** and IRS Publication 590, ***Individual Retirement Arrangements.*** These publications are available from your local IRS office, on the IRS's Internet website at www.irs.gov, or by calling 1-800-TAX-FORMS.