Understanding your 401(k) plan

SAVE TODAY FOR A MORE CONFIDENT TOMORROW

You recognize the importance of saving for your future. Enrolling in your retirement plan is a smart decision — and we're here to help you plan ahead, with information for every step along your journey to retirement.

Q&A: Know the basics

What's a 401(k) plan?

A 401(k) plan is a tax-deferred retirement plan designed to help you invest regularly for your retirement. Your contributions are taken directly from your salary before it's taxed and can be invested among a selection of investment options.

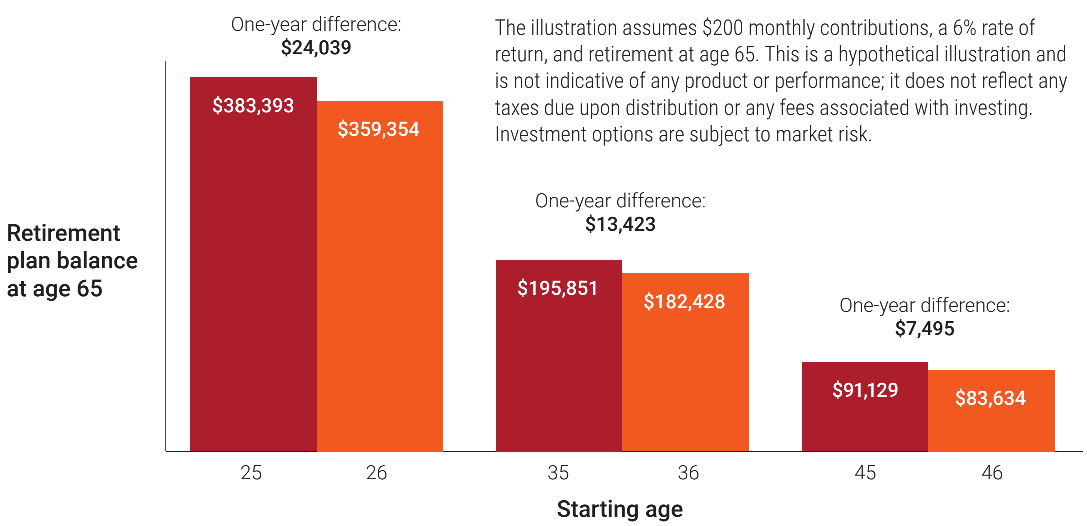
Why should I consider a 401(k) plan?

It's a great way to save for retirement:

- **It's easy!** – You contribute through convenient automatic payroll deductions.
- **Tax-deferred growth** – You don't pay taxes on your contributions and earnings until you withdraw them, which leaves more money in the plan to provide greater growth potential.
- **Consistent savings** – Saving a set amount every payday can help you build the savings you need.
- **"Free" money** – Your employer may match all or a portion of your contributions.

When should I start contributing to the plan?

Today! The earlier you start saving, the longer your money can grow. Beginning to save even one year earlier can make a difference.



The illustration assumes $200 monthly contributions, a 6% rate of return, and retirement at age 65. This is a hypothetical illustration and is not indicative of any product or performance; it does not reflect any taxes due upon distribution or any fees associated with investing. Investment options are subject to market risk.

Q&A: Making contributions

How do I make contributions?

It's simple. Once you're eligible, complete the necessary forms or enroll online, if that option is available. The amount you choose is withdrawn automatically from your paycheck and contributed to your retirement plan account. You can contribute to your 401(k) plan as long as you're an eligible employee, and you can change or discontinue your contributions, as allowed by your plan..

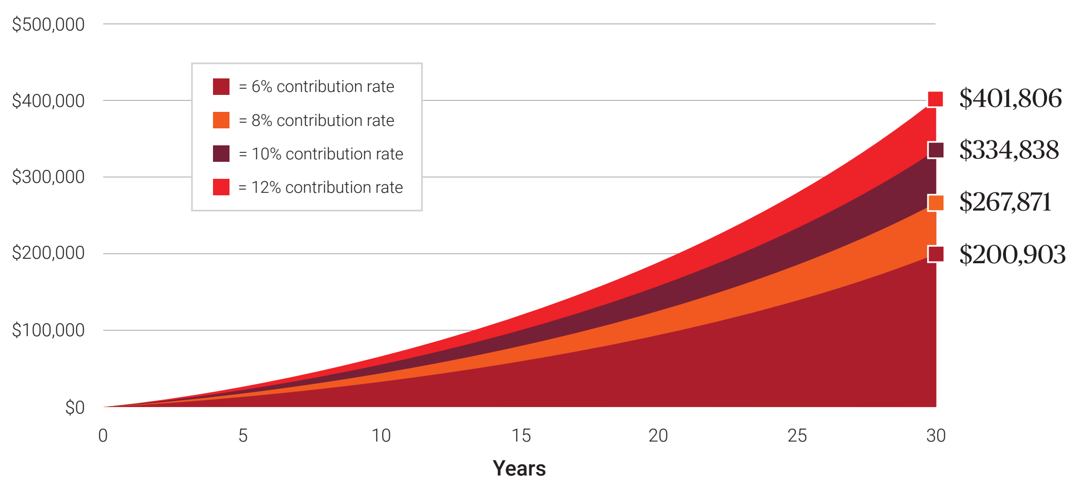
Saving just 2% more can help give your long-term savings a boost.

What if I can save only a small amount? Is it worth it?

Yes! Saving for retirement may be easier than you think. Commit just $20 a week — what you might spend on coffee or soda — to your 401(k) plan, and see how even small contributions can add up over time. That $20 each week may grow to $40,176 in 20 years; $87,418 in 30 years; or $173,471 in 40 years.[1]

How much should I contribute?

That depends on how much you can afford and how long you have until retirement. Even a small amount, invested regularly, can grow to significant savings. Challenge yourself to save an additional 2% each year — building up to a savings rate of 10% to 15% or more. These gradual steps can have a big impact over time.



These examples assume a $40,000 annual salary and a 6% annual rate of return, compounded monthly, in a tax-deferred account. This is a hypothetical example. It is not indicative of any product or performance and does not reflect any expenses associated with investing. Distributions taken before age 59½ may be subject to an additional 10% federal tax. Taxes will be due upon distribution of the tax-deferred amount and, if shown, results will be lower. Actual investment results will fluctuate with the market so that, when you withdraw your investment, it may be worth more or less than the original amount invested.

Contributing the maximum every year can help you achieve your retirement goals.

Are there limits to the amount I can contribute?

Federal tax laws limit the total amount of annual elective deferrals that can be made to all employer-sponsored plans on your behalf, including pretax salary deferrals and employer contributions. Visit **LincolnFinancial.com/Retirement** or **IRS.gov** for the most current information.

If you join the plan midyear, you can make up for any missed contributions through your current employer's payroll deduction. Your total contributions with your current and prior employers can't exceed the annual limit.

[1] This example assumes a 6% annual rate of return compounded weekly in a tax-deferred account. This is a hypothetical example. It is not indicative of any product or performance and does not reflect any expense associated with investing. Taxes will be due upon distribution of the tax-deferred amount and, if shown, results will be lower. It is possible to lose money by investing in securities.

Harness the power of tax deferral by saving in your 401(k) plan.

Q&A: Receiving tax benefits

Are there tax benefits to investing in my 401(k) plan?

Yes! Your contributions are deducted from your pay before taxes. This lowers your taxable income and gives you an immediate tax break.

Also, your contributions and earnings grow tax-deferred. That means you won't pay income taxes on your money until it's withdrawn. Please note that plan distributions are subject to normal income taxes, and any withdrawals taken prior to age 59½ may be subject to a 10% federal tax penalty, unless an exception applies.

Q&A: Accessing your account before retirement

Can I take a withdrawal from my 401(k) account before retirement?

Withdrawals can be made for specific reasons:

- Attainment of age 59½ while you're still employed (if allowed by your plan)
- Separation from service with your employer
- Total and permanent disability (if allowed by your plan)
- Distributions made to your beneficiaries upon your death
- Loans (if allowed by your plan)
- Qualified Domestic Relations Order (divorce payments to children or an ex-spouse)
- Financial hardship (if your plan allows; some restrictions apply)
- Birth or adoption of a child (if your plan allows; up to $5,000 per child, penalty-free)

If you take a withdrawal and don't roll it into an eligible retirement plan, you'll pay income taxes on the distribution, including a 10% penalty tax on any distribution made prior to age 59½, unless an exception applies. In addition, the account may impose withdrawal or surrender charges. Some plans may have additional withdrawal limitations.

Can I take a loan?

Loans may be available, but it's important to consider the potential impact to your long-term savings before you borrow money from your retirement account.

Before you take an early withdrawal, make sure you know the potential tax consequences.

What happens to my money if I change jobs?

You have several options:

- Leave your money in your previous employer's plan, if permitted.
- Move assets from your current plan to another eligible retirement plan offered by your new employer, if available, or to any other qualified retirement account, such as an Individual Retirement Account (IRA) which may have different fees.
- Take a cash distribution. Be aware that you may have to pay income taxes on your earnings unless the distribution is rolled into an IRA or other qualifying plan or the distribution meets certain requirements.[2]

What happens to my 401(k) account upon my death?

Your funds are passed to your designated beneficiary. To ensure that your assets are distributed as you desire, it's important to designate one or more beneficiaries and to keep your beneficiary information up to date.

[2] These taxes include a 10% penalty on early withdrawals for distributions made prior to attainment of age 59½, unless an exception applies.

Develop a retirement income strategy, including income from your retirement plan and your Social Security benefit.

Q&A: Reaching retirement

How can I receive my retirement distributions?

They may be paid via automatic withdrawal, an annuity, or a lump sum.

Once I retire, am I required to take regular distributions?

The federal tax code requires you to begin receiving distributions as of your required beginning date.[3] However, if you're still working and aren't considered a 5% owner of the business, your plan may allow you to delay required minimum distributions (RMDs). Once you begin receiving RMDs, you must continue to receive them until your account value is depleted or until your death.

Will contributing to a 401(k) plan affect my Social Security benefits?

No. However, if you work for a government agency or other employer that doesn't withhold Social Security taxes from your salary, any pension you receive based on that employment may reduce your Social Security benefits.

[3] Your required beginning date (RBD) depends on when you were born. If you attained age 70½ before January 1, 2020 (i.e., you were born before July 1, 1949), your required beginning date is April 1 following the year you attained age 70½. If you attained age 70½ after December 31, 2019 (i.e., you were born after June 30, 1949), your required beginning date is April 1 following the year you attain age 72. However, RMDs for the 2020 calendar year are waived under the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

Contact your employer or your retirement plan representative for more information.

Stay current and register your online account at LincolnFinancial.com/Register.

LincolnFinancial.com/Retirement

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