Wisconsin Deferred Compensation Program
UNFORESEEABLE FINANCIAL EMERGENCY WITHDRAWAL
Revised – November 4, 2016

Normally a participant may not receive a distribution from their Wisconsin Deferred Compensation (WDC) Program account until they have retired or otherwise separated from their public employer. However, the WDC does allow participants to withdraw funds in the event of an unforeseeable financial emergency that causes a severe financial hardship as defined in Section 457 of the Internal Revenue Code (IRC). To qualify for this, a participant’s situation must meet certain conditions. In addition, the WDC must follow IRC rules and regulations. Please read this document carefully. The requirements for an unforeseeable financial emergency withdrawal are very strict.

WHAT IS AN UNFORESEEABLE FINANCIAL EMERGENCY?
According to the Internal Revenue Service (IRS) and its Treasury Regulation 1.457-6(c), an unforeseeable emergency is an immediate “severe financial hardship” to the participant or beneficiary resulting from a sudden and unexpected illness or accident of the participant, beneficiary, spouse of the participant or beneficiary, or dependent (as defined in Section 152(a)) of the participant or beneficiary; loss of a participant’s or beneficiary’s property due to casualty; or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the participant or beneficiary and certain dependents. In general, expenses or loss of income related to events exceeding twelve (12) months prior to the date of a hardship application may not by themselves be considered appropriate for a hardship withdrawal because there is no unforeseeable emergency involved. These are situations where the individual 1) had significant control or 2) could have reasonably and prudently anticipated, avoided or budgeted for the event. Participants with situations created by events extending twelve months prior to the date of an emergency withdrawal application must be prepared to submit additional documentation explaining how their situation may qualify as a financial emergency.

Examples that may qualify as unforeseeable emergencies include:

- Imminent foreclosure on, or eviction from, the participant’s primary residence
- Loss of regular income due to circumstances beyond the participant’s control
- Medical expenses, including nonrefundable deductibles and medications
- Funeral expenses of a participant’s spouse, beneficiary or dependent

The unforeseeable emergency must be based on a financial hardship actually experienced, not one that is expected to or may happen. You must prove that you are experiencing a severe financial emergency and provide evidence that you have exhausted all other sources of income. Other sources of income may include:

- Reimbursement or compensation from insurance
- Liquidation of assets to the extent that this would not cause a severe hardship
- Cessation of deferrals to the WDC

WHAT IS NOT CONSIDERED AN UNFORESEEABLE FINANCIAL EMERGENCY?
Under IRS regulations, the following examples are not typically considered unforeseeable financial emergencies:

- The purchase of a house or other real estate
- School tuition or other educational expenses
- Normal, ordinary living expenses, such as mortgage, auto payments or repair costs, home remodeling, utility bills, loans, delinquent taxes, overdue credit card bills, the purchase of major appliances, and losses or cash flow problems on properties held for investment and marital separation or divorce.
HOW TO APPLY FOR A WDC UNFORESEEABLE FINANCIAL EMERGENCY WITHDRAWAL

If you feel your situation meets the IRC requirements for a financial emergency, and your WDC account is your only financial resource, contact the WDC at (877) 457-WDCP (9327) and ask to speak with the Hardship department to request an Unforeseeable Emergency Withdrawal Request packet. Complete and submit it with your documentation to the address on the form. You must provide everything listed on the application form. Incomplete forms may delay review of your application. Submitting documentation does not guarantee approval of your request. Please keep a copy of your application for your records.

Documentation to support your emergency claim is also required. Your personal financial information will be used solely to determine eligibility to withdraw funds under the financial emergency hardship withdrawal provision and will remain confidential.

Types of documentation that may be helpful in explaining your situation include:

- Unpaid medical bills not covered by insurance
- Doctor’s statement for unpaid medical leave
- Police or fire accident report for loss of property not reimbursed by insurance
- Copy of most recent earnings statement (paycheck stub) for income loss
- Other legal or administrative reports that document your situation

The amount you request cannot exceed what is needed to pay your debt. The amount requested may include funds needed to pay federal and state income taxes as a result of the distribution. Emergency withdrawals are subject to federal taxes.

THE REVIEW PROCESS

You must provide adequate documentation for your application to be evaluated. Your application and supporting information will be carefully reviewed to determine if you meet the requirements for an emergency withdrawal. It takes between four to seven weeks to completely review a withdrawal application and materials. If more documentation is required at any step in the process, your application will be delayed and may be denied.

If your application is approved:

- You will receive a confirmation and your withdrawal will be processed within seven to 10 days of the approval date.
- All funds will be withdrawn from your WDC account on a pro-rated basis according to your allocation percentages.
- A 10% federal income tax will be withheld and sent to the IRS.
- The amount distributed will be reported on an IRS Form 1099-R and will be included in your gross income for both federal and state income tax purposes in the year the distribution is made.
- Your deferrals into the WDC will be suspended for six months after a hardship withdrawal application is granted.

NEED HELP?

If you have any questions, or need assistance in completing your application, contact the WDC at (877) 457-WDCP (9327) and ask for the hardship department.