

# SECURE 2.0 Act of 2022

## 403(b) Hardship Withdrawal Rules



The SECURE 2.0 Act of 2022 was signed into law on December 29, 2022. This flyer provides information on 403(b) plan hardship withdrawal rules and considerations for plan sponsors and eligible participants.

A hardship withdrawal is a distribution from a participant's 403(b) retirement account made because of an immediate and heavy financial need\*. The distribution is limited to the amount necessary to satisfy that financial need and any applicable taxes and penalties. The money is taxed to the participant and is not paid back into their account.

*\*See attached checklist for qualifying reasons a 403(b) plan participant may qualify for a hardship distribution.*

### SECURE 2.0 Section #312: Hardship Self-Certification

Plan Types Affected	403(b)
Mandatory or Optional	Optional
Effective Date	Plan years beginning after December 31, 2022
Overview	403(b) plan sponsors (employers) may rely on an employee to self-certify that they meet the immediate and heavy financial need required to qualify for a hardship distribution.
Other Important Information	<p>There may be possible exceptions to a plan sponsor's ability to rely on an employee's hardship self-certification. For example, if a plan sponsor has actual knowledge that an employee's request does not meet a hardship reason, they cannot rely on self-certification.</p> <p>The Treasury Secretary may issue regulations that contain exceptions to the self-certification process when the plan administrator has actual knowledge that the participant's self-certification is false, and a procedure to address cases of participant misrepresentation.</p>

**See back for Hardship Withdrawal Rules** ►



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## SECURE 2.0 Section #602: 403(b) Hardship Withdrawal Rules

Plan Types Affected	403(b)
Mandatory or Optional	Optional
Effective Date	Plan years beginning after December 31, 2023
Overview	Allow 403(b) plans to make hardship distributions from more contribution sources, such as qualified matching contributions.
What Has Changed	In addition to allowing hardship distributions from additional contribution sources, it confirms that participants are not required to take available loans before obtaining a hardship withdrawal.
What You Need to Know	<p>This provision aligns the 403(b) and 401(k) hardship rules by permitting 403(b) plan participants to receive hardship withdrawals from:</p> <ol style="list-style-type: none"><li>1. Elective deferrals (pre-tax and Roth).</li><li>2. Qualified nonelective contributions (QNECs).</li><li>3. Qualified matching contributions (QMACs).</li><li>4. Earnings on allowable contributions, regardless of whether the amounts are held in a 403(b)(1) annuity contract or a 403(b)(7) custodial account.</li></ol> <p>The provision further confirms that 403(b) plan participants are not required to take available loans before obtaining a hardship withdrawal.</p>

### Next Steps

Determine whether you want to expand the amounts eligible for hardship withdrawals and/or allow self-certification.

1. Meet with your Worksite Benefits Consultant.
2. Complete the SECURE 2.0 Operations Checklist.