

Financial Transaction Form

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Zurich American Life Insurance Company (ZALICO)

Participant Name _____

Contract Number _____

Daytime Phone Number _____

Administrative Offices:

PO Box 19097

Greenville, SC 29602-9097

800/449-0523

Please refer to contract provisions on disbursement availability.

Section 1: Partial Distribution

Distributions may be subject to income tax and if made before age 59½ may be subject to an additional 10% IRS penalty. See Section 12 for more information. ZALICO suggests that you consult an attorney, accountant or tax advisor for information prior to requesting a distribution.

If you are older than age 70½, refer to Section 3 for information on Required Minimum Distributions.

Amount \$ _____

Check One: Gross withdrawal: Deduct any withdrawal charges and tax withholding from the amount requested

Net withdrawal: Issue check for the exact amount requested. Deduct any withdrawal charges and tax withholding separately

If your contract value is not sufficient for the withdrawal, would you like ZALICO to issue a check for the maximum amount available?

Yes No

Indicate variable subaccounts and general accounts to provide the withdrawal. If not indicated, the withdrawal will be pro-rated from all available account balances. Withdrawals from Guarantee Period Accounts may incur a market value adjustment.

Variable Subaccount or General Account	Dollar (\$) Amount	OR	Percentage (%) of Amount Requested to be Deducted From Each Subaccount

Section 2: Total Distribution

If you have purchased the Guaranteed Retirement Income Benefit rider, your surrendering your contract will result in your forfeiting any benefits you may have accumulated under the rider. You need to leave only a minimal amount in your contract to preserve the benefits under the rider. Please consult your financial advisor and the product prospectus and make sure you understand the impact of your surrender on your rider benefits before completing this form. Distributions may be subject to income tax and if made before age 59½, may be subject to an additional 10% IRS penalty. ZALICO suggests that you consult an attorney, accountant or tax advisor for information prior to requesting a distribution.

If you are older than 70½, refer to section 3 for information on Required Minimum Distributions.

Check One: I hereby SURRENDER my contract/certificate (please enclose)

My contract/certificate specified above has been LOST, DESTROYED, or MISLAID and I request that the value of said contract/certificate be paid. I hereby agree on my behalf and on behalf of my heirs, assignees, legal representatives, or any other person claiming rights through me, to indemnify and protect ZALICO against any claim which may be asserted against the Company on the basis of this contract/certificate and to reimburse the Company for any payment it may make or expense it may incur, with respect to any such claim.

Section 3: Required Minimum Distribution (RMD): For 403(b), 401(a), 401(k), 457, Terminal Funding & IRA plans:

Distribution Options

These distributions are calculated using a uniform distribution period that is equal to the joint life expectancy of you and a beneficiary exactly 10 years younger. If you have a spouse as sole beneficiary who is more than 10 years younger, your distributions will be based upon the joint life expectancy of you and your spouse.

Would you like to participate in our Automated Required Distribution Program?

Check One: I only want to take this year's required distribution.

Please automatically send my distribution each year on _____ (month) _____ (day)

Your required distribution will be withdrawn from your investment option/funds on a pro-rata basis.

Required Beginning Distribution Year

IRAs: The calendar year in which the annuitant attains age 70½.

403(b), 401(a), 401(k), 457 and Terminal Funding plans: (The later of)

a) The calendar year in which the annuitant attains age 70½.

b) The calendar year in which you retire from the employer that sponsors this plan.

- The IRS allows you to defer your first Required Minimum Distribution until April 1 of your second distribution year, however, you must still take your second Required Minimum Distribution by December 31 of the second distribution year. All subsequent distributions must be made by December 31 of each year.
- See "Other Distributions" on the next page if you are requesting a withdrawal or rollover and have not previously taken the full amount of your Required Minimum Distribution for the calendar year.
- Withholding of Federal income tax is optional on Required Minimum Distributions. Please refer to Section 11 on Tax Withholding for additional information.

Required Minimum Distribution Amount

Other Distributions

Any distribution made in a year that a Required Minimum Distribution applies is deemed a Required Minimum Distribution until the full amount of the Required Minimum Distribution is satisfied.

No Rollovers of Required Minimum Distribution Amounts

Required Minimum Distributions may not be rolled over to another plan or carrier, and are subject to withholding. If you are requesting a rollover and have not previously taken the full amount of your Required Minimum Distribution, the remaining amount needed to satisfy the Required Minimum Distribution must be taken from the rollover proceeds and sent to you in a separate check. Please contact Client Services at 800/449-0523 for more information.

Section 4: Reason for Distribution

Qualifying Event: If the proceeds will be paid to the plan participant, please check one of the following. (Not applicable to IRA and Non-Qualified contracts)

- Participant has attained age 59½
- Severance of employment after participant has attained age 55 — Date of severance ____/____/____
- Severance of employment — Date of severance ____/____/____
- Disability (complete Section 6)
- Financial hardship (complete Section 7)

Transfer of Assets: Requests to transfer assets to another carrier must be accompanied by an acceptance letter. Replacement forms must be provided when required by state law. **Full repayment of all outstanding loans will be due prior to any transfer or rollover to another provider.** (Check one of the following)

- Tax-free transfer/exchange (indicate type below)
 - 403(b) to 403(b) transfer under Rev. Ruling 90-24
 - 401 to 401
 - IRA to IRA
 - Other _____
- Direct Rollover: (indicate type below)
 - Participant must have a qualifying event checked above.
 - If the participant has attained age 70 1/2, a required minimum distribution may be required before the rollover. See Section 3 for more information, or check the required minimum distribution box below.
 - 403(b) to 403(b) direct rollover under IRC 403(b)(8)
 - 403(b) to IRA direct rollover
 - 401 to IRA direct rollover
 - IRA to Roth direct rollover
 - Other _____

Required Minimum Distribution

- The Participant has satisfied RMD requirements for the 20____ tax year.

Internal Loan Repayment: In order to surrender your contract and receive proceeds or transfer/rollover any assets to another carrier all outstanding loans must be paid in full. By checking off the box below, ZALICO will internally pay off all outstanding loans on your contract.

- **Participant must have a qualifying event checked above.**

Please withdraw proceeds from my account to pay off any outstanding loans and withhold all mandatory taxes.

Section 5: Vesting Instructions (for 401(a), 401(k), 403(b), 457, ORP & ARP Plans) To be completed by Plan Administrator

Are employer contributions vested? Yes No

If no, indicate the percentage amount vested: _____ %

Section 6: Disability

I certify that I am unable to engage in substantial gainful employment due to an impairment that is of a continuing or permanent nature as defined under Internal Revenue Code Section 72(m)(7).

Participant Signature

Date

Section 7: Financial Hardship Distribution Under 403(b) Plans

For 403b and 401(a) plans, earnings accumulated after December 31, 1988 may not be distributed under financial hardship. Hardship withdrawals are available according to Internal Revenue Code Sections 401(k)(2) and related federal tax regulations, and must be made to satisfy an immediate heavy financial need.

Financial Hardship Need:

- Medical expenses incurred by me, my spouse or dependents
- Tuition, related educational fees, room and board expenses for the next 12 months of post-secondary education for me, my spouse or my dependents
- Purchase of my principal residence (excluding mortgage payments)
- Preventing foreclosure on my principal residence or eviction from my principal residence

The financial hardship distribution must not exceed the amount necessary to relieve your financial need. When determining your financial need, you may include any amounts necessary to pay federal, state, or local income taxes or penalties reasonably anticipated to result from the distribution.

Available Resources

Prior to requesting a financial hardship distribution, you must use resources that are reasonably available to you to satisfy the financial hardship need, including assets of your spouse and minor children.

Indicate if you have used the following resources to satisfy your financial hardship need:

	Yes	No
Liquidation of assets (see Available Resources above)	<input type="checkbox"/>	<input type="checkbox"/>
Cessation of elective contributions or employee contributions under the plan	<input type="checkbox"/>	<input type="checkbox"/>
Loans or distributions from any plan maintained by the employer or any other employer	<input type="checkbox"/>	<input type="checkbox"/>
Commercial loans	<input type="checkbox"/>	<input type="checkbox"/>
Reimbursement or compensation by insurance or otherwise	<input type="checkbox"/>	<input type="checkbox"/>

If you checked "No" to any of the above, you are not eligible for a financial hardship distribution, since you have not used resources that are reasonably available to you. ZALICO reserves the right to require documentation to support your request for a financial hardship distribution.

Certification

I certify that all the information I have provided is accurate. I also certify that the amount of the distribution I have requested does not exceed the amount necessary to relieve my financial hardship need and that I have used all resources that are reasonably available to me to satisfy the financial need.

Participant Signature

Date

Section 8: Mailing Instructions

- Check One:
- Address of record
 - Other Carrier Address (Indicate address below)
 - Other (Indicate address below)
 - This is a permanent address change
 - I wish to use Electronic Funds Transfers (Direct Deposit). I authorize ZALICO to correct electronically any overpayments of erroneous credits made to my account. **Please attach a voided check.**

Please note—Express Mail will not be delivered to a PO Box.

Payee

Account Number (if any)

Street Address/FBO

Phone Number (New Carrier)

Street Address

City

State

Zip

Section 9: Express Mail

403(b) plan participants may elect this option only if they have checked a qualifying event in section 4.

- Please withdraw \$10.00 from my account and express mail the check to the address indicated above. I understand that this constitutes a distribution from my account and that ZALICO will withhold the appropriate amount for federal income taxes.

Section 10: Special Instructions

Section 11: Tax Withholding

Eligible Rollover Distributions: 403(b), ORP, ARP, 401(a), 401(k) and 457 plans

The Company is required to withhold twenty percent (20%) of the federally taxable amount on all distributions unless the distribution is deemed a "Direct Rollover". State withholding may also be required. If you elect to have the Company withhold more than 20%, please indicate this below. A participant may elect a direct rollover by instructing the Company to make distributions payable to the sponsor of an IRA or eligible employer retirement plan.

A detailed description of direct rollovers and related tax information is provided in the attached Special Tax Notice.

Other Distributions: IRAs, Non-Qualified Accounts, and Required Minimum Distributions only

The Company is required to withhold ten percent (10%) of the federally taxable amount on distributions other than eligible rollover distributions, unless you elect to cancel this withholding. If you elect to cancel this withholding, you may be responsible for payment of estimated tax and you may incur tax penalties if the sum of the amount withheld and your estimated tax payments are not sufficient. If you make no election, your signature authorized 10% to be withheld from the distribution.

Federal Withholding: Withhold 10% Do not withhold _____ Specify %
State Withholding: As required by state Do not withhold _____ Specify % _____ Specify \$

Section 12: Additional 10% Tax if You Are Under Age 59½

If you receive payment before you reach age 59½ and you do not roll the payment over, then in addition to the regular income tax, you may have to pay an extra tax equal to 10% of the taxable portion of the payment. The additional 10% tax does not apply to your payment if it is (1) paid to you because you separate from service with your employer during or after the year you reach age 55, (2) paid because you retire due to disability, (3) used to pay certain medical expenses, (4) paid to you as part of a Qualified Domestic Relations Order, or (5) paid to you as a corrective distribution. Beginning in 1998, the additional 10% tax may be waived for distributions from IRAs for: (1) qualified higher education expenses, (2) health insurance premiums, or (3) qualified first-time homebuyer distributions. See IRS Form 5329 for more information on the additional 10% tax.

Section 13: Signatures

By signing below, the Owner(s), Participant and Plan Administrator hereby certify that the information provided in this request is complete and accurate and understand that ZALICO will process this request according to the information provided. By signing below, the Participant acknowledges that he/she has read and understands the Special Tax Notice and affirmatively elects to process the distribution as requested. This affirmative election will waive the 30 day period to which Participant is entitled to consider this distribution.

_____	_____	_____
Owner	Owner Signature	Date
_____	_____	_____
Participant (if other than owner)	Participant Signature	Date
_____	_____	_____
Plan Administrator	Plan Administrator Signature	Date

Spousal Consent for Community Property States: If the plan participant is a resident of AZ, CA, ID, LA, NV, NM, TX, WA or WI spousal consent is required unless the participant has no legal spouse.

Spouse Signature _____
Date Participant has no legal spouse.

Spousal Consent For ERISA plans: I hereby consent to the withdrawal/distribution request as stated above. I understand that a spouse is guaranteed certain rights to assets in this retirement account by federal law and that these include the right to a pre-retirement survivor's annuity and a joint and survivor annuity and that these rights could be diminished by a withdrawal/distribution from this plan.

Spouse Signature _____
Date Participant has no legal spouse.

Witnessed by: (Plan Administrator or Notary Public Signature— include title) _____
Date

Special Tax Notice Regarding Plan Payments

Safe Harbor Explanation for Plans Qualified Under Section 403(b) Tax Sheltered Annuities and Governmental 457(b) Plans

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This notice explains how you can continue to defer federal income tax on your retirement savings in your ZALICO section 403(b) annuity or your governmental section 457(b) plan (the "Plan") and contains important information you will need before you decide how to receive your Plan benefits. Generally, most 403(b) annuities will have a Payor and governmental 457(b) plans will have a Plan Administrator.

This notice is provided to you by ZALICO (your "Payor") because all or part of the payment that you will soon receive from the Plan may be eligible for rollover by you, the Payor, or your Plan Administrator to a traditional IRA or an eligible employer plan. A rollover is a payment by you or the Plan Administrator of all or part of your benefit to another plan or IRA that allows you to continue to postpone taxation of that benefit until it is paid to you. Your payment cannot be rolled over to a Roth IRA, a SIMPLE IRA, or a Coverdell Education Savings Account (formerly know as an education IRA).. An "eligible employer plan" includes a plan qualified under section 401(a) of the Internal Revenue Code, including a 401(k) plan, profit sharing plan, defined benefit plan, stock bonus plan, and money purchase plan; a section 403(a) annuity plan; a section 403(b) tax-sheltered annuity; and an eligible section 457(b) plan maintained by a governmental employer (governmental 457 plan).

An eligible employer plan is not legally required to accept a rollover. Before your 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.

If you have additional questions after reading this notice, you can contact your Payor at 800/449-0523 or your Plan Administrator.

Summary

There are two ways you may be able to receive a Plan payment that is eligible for rollover: 1) certain payments can be made directly to a traditional IRA that you establish or to an eligible employer plan that will accept it and hold it for your benefit ("DIRECT ROLLOVER"), or 2) the payment can be PAID TO YOU.

If you choose a DIRECT ROLLOVER:

- Your payment will not be taxed in the current year and no income tax will be withheld.
- You choose whether your payment will be made directly to your traditional IRA or to an eligible employer plan that accepts your rollover. Your payment cannot be rolled over to a Roth IRA, a SIMPLE IRA, or a Coverdell Education Savings Account because these are not traditional IRAs.
- Your payment will be taxed later when you take it out of the traditional IRA or the eligible employer 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

If you choose to have a Plan payment that is eligible for rollover PAID TO YOU:

- You will receive only 80% of the taxable amount of payment, because the Plan Administrator or Payor is required to withhold 20% of the payment and send it to the IRS as income tax withholding to be credited against your taxes.
- The taxable amount of your payment will be taxed in the current year unless you roll it over.
- You can rollover all or part of the payment by paying it to your traditional IRA or to an eligible employer plan that accepts your rollover within 60 days after you receive the payment. The amount rolled over will not be taxed until you take it out of the traditional IRA or the eligible employer plan.
- If you want to roll over 100% of the payment to a traditional 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% that you received, you will be taxed on the 20% that was withheld and that is not rolled over.

Your Right to Waive the 30-Day Notice Period. Generally, neither a direct rollover nor a payment can be made from the Plan until at least 30 days after your receipt of this notice. Thus, after receiving this notice, you have at least 30 days to consider whether or not to have your withdrawal directly rollover over. If you do not wish to wait until this 30-day notice period ends before your election is processed, you may waive the notice period by making an affirmative election indicating whether or not you wish to make a direct rollover. Your withdrawal will then be processed in accordance with your elections as soon as practical after it is received by the Plan Administrator or Payor.

I. Payments That Can And Cannot Be Rolled Over

Payments from the Plan may be “eligible rollover distributions.” This means they can be rolled over to a traditional IRA or to another eligible employer plan that accepts rollovers. Payments from a plan cannot be rolled over to a Roth IRA, a SIMPLE IRA, or a Coverdell Education Savings Account. Your Plan Administrator or Payor should be able to tell you what portion of your payment is an eligible rollover distribution.

After-tax Contributions.

If you made after-tax 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. The following rules apply:

a) Rollover into a Traditional IRA. You can rollover your after-tax contributions to a traditional IRA either directly or indirectly. Your Plan Administrator or Payor should be able to tell you how much of your payment is the taxable portion and how much is the after-tax portion.

If you rollover after-tax contributions to a traditional IRA, it is your responsibility to keep track of, and report to the Service on the applicable forms, the amount of these after-tax contributions. This will enable the nontaxable amount of any future distributions from the traditional IRA to be determined.

Once you rollover your after-tax contributions to a traditional IRA, those amounts CANNOT later be rolled over to an employer plan.

You can also rollover after-tax contributions from a section 403(b) tax-sheltered annuity to another section 403(b) tax-sheltered annuity using a direct rollover if the other tax-sheltered annuity provides separate accounting for amounts rolled over, including separate accounting for the after-tax employee contributions and earnings on those contributions. You CANNOT rollover after-tax contributions to a governmental 457 plan. If you want to rollover your after-tax contributions to an employer plan that accepts these rollovers, you cannot have the after-tax contributions paid to you first. You must instruct the Plan Administrator or Payor of this Plan to make a direct rollover on your behalf. Also, you cannot first rollover after-tax contributions to a traditional IRA and then roll that amount into an employer plan.

Payments Spread over Long Periods.

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

- your lifetime (or a period measured by your life expectancy), or
- your lifetime and your beneficiary’s lifetime (or a period measured by your joint life expectancies), or
- a period of 10 years or more.

Required Minimum Distributions.

Beginning in the year 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.

Hardship Distribution or Distributions Due to an Unforeseeable Emergency.

A hardship distribution or a distribution due to an unforeseeable emergency cannot be rolled over.

Corrective Distributions.

A distribution that is made to correct a failed nondiscrimination test or because legal limits on certain contributions were exceeded cannot be rolled over.

Loans Treated as Distributions.

The amount of a plan loan that becomes a taxable deemed distribution because of a default cannot be rolled over. However, a loan offset amount is eligible for rollover, as discussed in Part III below. Ask the Plan Administrator or Payor of your Plan if distribution of your loan qualifies for rollover treatment.

The payor of this Plan should be able to tell you if your payment includes amounts which cannot be rolled over.

II. Direct Rollover

A DIRECT ROLLOVER is a direct payment of the amount of your Plan benefits to a traditional IRA or an eligible employer plan that will accept it. You can choose a DIRECT ROLLOVER of all or any portion of your payment that is an eligible rollover distribution, as described in Part I above. You are not taxed on any taxable portion of your payment for which you choose a DIRECT ROLLOVER until you later take it out of the traditional IRA or eligible employer plan. In addition, no income tax withholding is required for any taxable portion of your Plan benefits for which you choose a DIRECT ROLLOVER. Your Plan might not let you choose a DIRECT ROLLOVER if your distributions for the year are less than \$200.

Direct Rollover to a Traditional IRA. You can open a traditional IRA to receive the direct rollover. If you choose to have your payment made directly to a traditional IRA, contact an IRA sponsor to find out how to have your payment made in a direct rollover to an IRA. If you are unsure of how to invest your money, you can temporarily establish a traditional IRA to receive the payment. However, in choosing a traditional IRA, you may wish to make sure that the traditional IRA you choose will allow you to move all or a part of your payment to another traditional IRA at a later date, without penalties or other limitations. See IRS Publication 590, Individual Retirement Arrangements, for more information on traditional IRAs (including limits on how often you can rollover between IRAs).

Direct Rollover to a Plan. If you are employed by a new employer that has an eligible employer plan, and you want a direct rollover to that plan, ask the plan administrator of that plan whether it will accept your rollover. An eligible employer plan is not legally required to accept a rollover. Even if your new employer's plan does not accept a rollover, you can choose a DIRECT ROLLOVER to a traditional IRA. If the employer plan accepts your rollover, the plan may provide restrictions on the circumstances under which you may later receive a distribution of the rollover amount or may require spousal consent to any subsequent distribution. Check with the Plan Administrator or Payor before making your decision.

Direct Rollover of a Series of Payments. If you receive a payment that can be rolled over to a traditional IRA or an eligible employer plan that will accept it, and it is paid in a series of payments for less than 10 years, your choice to make or not 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.

Change in Tax Treatment Resulting from a DIRECT ROLLOVER. The tax treatment of any payment from the eligible employer plan or traditional IRA receiving your DIRECT ROLLOVER might be different than if you received your benefit in a taxable distribution directly from the Plan. See the sections below entitled "Additional 10% Tax May Apply to Certain Distributions."

III. Payment Paid To You

If your payment can be rolled over (see Part I above) and the payment is made to you in cash, it is subject to 20% federal income tax withholding on the taxable portion (state tax withholding may also apply). The payment is taxed in the year you receive it unless, within 60 days, you roll it over to a traditional IRA or an eligible employer plan that accepts rollovers. If you do not roll it over, special tax rules may apply.

Income Tax Withholding:

Mandatory Withholding. If any portion of your payment can be rolled over under Part I above and you do not elect to make a DIRECT ROLLOVER, the Plan is required by law to withhold 20% of the taxable amount. This amount is sent to the IRS as federal income tax withholding. For example, if you can rollover a taxable payment of \$10,000, only \$8,000 will 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 a rollover within 60 days (see "Sixty-Day Rollover Option" below), you must report the full \$10,000 as a taxable payment from the plan. You must report the \$2,000 as tax withheld, and it will be credited against any income tax you owe for the year. There will be no income tax withholding if your payments for the year are less than \$200.

Voluntary Withholding. If any portion of your payment is taxable but cannot be rolled over under Part I above, the mandatory withholding rules described above do not apply. Complete the appropriate section on the applicable form.

Sixty-Day Rollover Option. If you receive a payment that can be rolled over under Part I above, you can still decide to rollover all or part of it to a traditional IRA or to an eligible employer plan that accepts rollovers. If you decide to rollover, you must contribute the amount of the payment you received to a traditional IRA or eligible employer plan within 60 days after you receive the payment. The portion of your payment that is rolled over will not be taxed until you take it out of the traditional IRA or the eligible employer plan.

You can rollover up to 100% of your payment that can be rolled over under Part I above, including an amount equal to the 20% of the taxable portion that was withheld. If you choose to roll over 100%, you must find other money within the 60-day period to contribute to the traditional IRA or the eligible employer plan, to replace the 20% that was withheld. On the other hand, if you rollover only the 80% of the taxable portion that you received, you will be taxed on the 20% that was withheld.

Example: The taxable portion of your payment that can be rolled over under Part I above 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 receiving the \$8,000, you may rollover the entire \$10,000 to a traditional IRA or an employer plan. To do this, you rollover the \$8,000 you received from the Plan, and you will have to find \$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 traditional IRA or employer plan. If you rollover the entire \$10,000, when you file your income tax return you may get a refund of the \$2,000 withheld. If, on the other hand you rollover only \$8,000, the \$2,000 you did not roll over is 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 rollover the \$10,000.)

Additional 10% Tax If you are Under Age 59½ from a section 403(b) annuity. If you receive a payment before you reach age 59½ and you do not roll it over, then, in addition to the regular income tax, you may have to pay an extra tax equal to 10% of the taxable portion of the payment. The additional 10% tax generally does not apply to (1) payments that are paid to you because you sever employment with your employer during or after the year you reach age 55, (2) payments that are paid because you retire due to disability, (3) payments that are 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), or (4) payments that are paid directly to the government to satisfy a federal tax levy, (5) payments that are paid to an alternate payee under a qualified domestic relations order, or (6) payments that do not exceed the amount of your deductible medical expenses. See IRS Form 5329 for more information on the additional 10% tax.

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 the governmental 457 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 to a traditional IRA will become subject to the additional 10% tax if it is distributed to you before you reach age 59½, unless one of the exceptions applies.

Repayment of Plan Loans. If your employment ends and you have an outstanding loan from your Plan, your Plan Administrator or Payor may reduce (or “offset”) your balance in the Plan by the amount of the loan you have not repaid. The amount of your loan offset is treated as a distribution to you at the time of the offset and will be taxed unless you rollover an amount equal to the amount of your loan offset to another qualified employer plan or a traditional IRA within 60 days of the date of the offset. 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 offset. The amount withheld will be limited to the amount of other cash or property paid to you. The amount of a defaulted plan loan that is a taxable deemed distribution cannot be rolled over.

IV. Surviving Spouses, Alternate Payees, and Other Beneficiaries

In general, the rules summarized above that apply to payments to employees 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,” which is an order issued by a court, usually in connection with a divorce or legal separation.

If you are a surviving spouse or an alternate payee, you may choose to have a payment that can be rolled over, as described in Part I above, paid in a DIRECT ROLLOVER to a traditional IRA or to an eligible employer plan or paid to you. If you have the payment paid to you, you keep it or roll it over yourself to a traditional IRA or to an eligible employer plan. Thus, you have the same choices as the employee.

If you are a beneficiary other than a surviving spouse or an alternate payee, you cannot choose a direct rollover, and you cannot rollover 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 described in Part III above, even if you are younger than age 59½.