



CONTINUE 



I understand that PBGC will not withhold any taxes from this portion of  
the payment.

**NO LESS THAN \$500**

***Complete Section 4.***

CONTINUE 

Plan Number: FX.PrismCase.CaseldNbr.XF

Participant Name: FX.PrismCust.FullName.XF

#### 4. Information about your Inherited IRA

Name of Beneficiary Account		
Account Number		
Name of the Institution / Trustee	Routing Number	
Mailing Address		
City	State	Zip Code

**5. Federal Income tax withholding election** – Check “A”, “B” or “C” below. If you do not choose an option, PBGC will automatically withhold 10% of the payment for federal income taxes. If you do not have tax withheld or you do not have enough tax withheld, you may be responsible for any tax liability, interest, and penalties, and may have to make estimated tax payments to the IRS. You may want to consult with the IRS or a tax specialist before you make your decision.

<b>A.</b> Do <b>not</b> withhold federal income taxes from this payment.	<input type="checkbox"/>
<b>B.</b> Withhold \$_____.00 from the payment for federal income taxes.	<input type="checkbox"/>
<b>C.</b> Withhold 10% (or other _____%) from the payment for federal income taxes	<input type="checkbox"/>

**SIGN & DATE ON PAGE 1 BEFORE SUBMITTING. THANK YOU.**

**For Non-Spouse Beneficiaries**

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**I. INTRODUCTION**

This notice contains important information that applies to non-spouse beneficiaries, herein referred to as “you.” You should read this important information before you decide how to receive your benefits from the Pension Benefit Guaranty Corporation (PBGC).

PBGC is providing this notice to you because all or part of the PBGC payment for which you are applying may be eligible for rollover by PBGC to an inherited IRA. The rollover allows you to continue to postpone taxation of that benefit until it is paid to you. Your payment cannot be rolled over to any other kind of retirement plan, including an employer retirement plan, a traditional IRA, a Roth IRA, a SIMPLE IRA, or a Coverdell Education Savings Account (formerly known as an education IRA). An "employer retirement 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).

If you have additional questions after reading this notice, please contact PBGC or your tax advisor.

## **II. SUMMARY**

There are two ways you may be able to receive a PBGC benefit payment that is eligible for rollover:

- (1) Certain payments can be made directly to an inherited IRA that you establish ("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.
- Your payment may only be rolled over into an inherited IRA and cannot be rolled over to any other kind of retirement plan, including an employer retirement plan, a traditional IRA, a Roth IRA, a SIMPLE IRA, or a Coverdell Education Savings Account.
- The taxable portion of your payment will be taxed later when you take it out of the inherited IRA. The later distribution may be subject to different tax treatment than it would be if you received the taxable distribution from PBGC.

If you choose to have your PBGC payment PAID TO YOU:

- PBGC will withhold 10% of your payment for federal income taxes at the time of payment unless you request otherwise. Even if no taxes are withheld at the time of payment, the amount received will be includable in your taxable income in the year you receive the distribution.
- In order to receive the tax benefits of rolling over the payment, the rollover must be accomplished through a trustee-to-trustee transfer. This means that the payment cannot be sent to you and then subsequently rolled over into an inherited IRA.

## **III. DETAILED INFORMATION**

### **A. Payments That Can And Cannot Be Rolled Over**

PBGC benefit payments to non-spouse beneficiaries may be "eligible rollover distributions" for limited purposes. This means that they can be rolled over only to an inherited IRA. PBGC payments to non-spouse beneficiaries cannot be rolled over to an employer retirement plan, a traditional IRA, a Roth IRA, a SIMPLE IRA, or a Coverdell Education Savings Account.

After-tax Contributions. If any part of your PBGC non-periodic payment is made up of after-tax contributions



the participant made to his or her pension plan, the payment may be rolled into an inherited IRA. The following rules apply:

- a) Rollover into an Inherited IRA. You can roll over the after-tax contributions directly to an inherited IRA. PBGC can tell you how much of your payment is the taxable portion and how much is the after-tax portion.

If you roll over after-tax contributions to an inherited 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 enable the nontaxable amount of any future distributions from the inherited IRA to be determined.

Once you roll over your after-tax contributions to an inherited IRA, those amounts CANNOT later be rolled over to another pension plan.

## **B. Direct Rollover**

A DIRECT ROLLOVER is a direct payment by PBGC to an inherited IRA. You can choose a DIRECT ROLLOVER of all or any portion of your payment that is an eligible rollover distribution, as described in **Section A** 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 inherited IRA. In addition, no income tax withholding is required for any taxable portion of your benefit for which you choose a DIRECT ROLLOVER.

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

Change in Tax Treatment Resulting from a DIRECT ROLLOVER. The tax treatment of any payment from the inherited IRA receiving your DIRECT ROLLOVER might be different than if you received your benefit in a taxable distribution directly from PBGC. For example, if you were born before January 1, 1936, you might be entitled to ten-year averaging or capital gain treatment, as explained below. However, if you have your benefit rolled over to an inherited IRA in a DIRECT ROLLOVER, your benefit will no longer be eligible for that special treatment. See the sections below entitled "Special Tax Treatment if You Were Born before January 1, 1936."

## **C. Payment Paid to You**

If your payment can be rolled over and the payment is made to you in cash, it is subject to federal income taxation on the taxable portion (state taxation may also apply). The payment is taxed in the year you receive it.

**Income Tax Withholding:**

**Mandatory Withholding.** Payments made to non-spouse beneficiaries are not subject to mandatory federal income tax withholding, but the amounts will be subject to income tax in the year received.

**Voluntary Withholding.** PBGC will withhold 10% from your payment for federal income tax withholding unless you elect not to have withholding applied to your payment. To elect out of withholding, use the election form attached to the distribution request form and related information.

**Special Tax Treatment If You Were Born before January 1, 1936.** If you receive a payment from PBGC that can be rolled and you do not roll it over to a traditional IRA or an eligible employer plan, the payment will be taxed in the year you receive it. However, if the payment 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 PBGC benefit that is payable to you after you have reached age 59 1/2 (or, in the case of a self-employed individual, after you have reached age 59 1/2 or have become disabled). For a payment to be treated as a lump-sum distribution, the participant must have been a participant in the plan for at least five years before the year in which you received the distribution. The special tax treatment for lump-sum distributions that may be available to you is described below.

**Ten-Year Averaging.** If you receive a lump-sum distribution and you were born before January 1, 1936, you can make a one-time election to figure the tax on the payment by using "10-year averaging" (using 1986 tax rates). Ten-year averaging often reduces the tax you owe.

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

There are other limits 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 that you receive in that same year. If you have previously rolled over a distribution from your pension plan (or certain other similar plans of the employer), you cannot use this special averaging treatment for later payments from PBGC. If you roll over your payment to an inherited IRA, you will not be able to use special tax treatment for later payments from the inherited IRA. Also, if you roll over only a portion of your payment to an inherited IRA, 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.

**D. Required Minimum Payments**

Beginning at age 70-1/2 a certain portion of your payment cannot be rolled over because it is a "required minimum payment" that must be paid to you. You should consult a tax advisor for more information.

**IV. HOW TO OBTAIN ADDITIONAL 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 the IRS or a professional tax advisor before you take a payment of your PBGC benefits. Also, you can find more specific information on the tax treatment of payments from qualified employer 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 Web Site at [www.irs.gov](http://www.irs.gov), or by calling 1-800-TAX-FORMS.