**Terminated Participant: Sample Letters**

This document provides sample letters you can use to notify former participants that they have vested balance in the plan and informing them of their options. *These are samples that are intended to be customized to fit specific facts and circumstances. Note that your plan document governs the distribution options that are available, including the ability to automatically cash-out certain former employees with small account balances. Although optional at the plan, if your plan includes mandatory distribution language, you are required to have a procedure in place to ensure these automatic rollover and cash-outs are processed throughout the plan year.*

*Included in this document are three sample templates based on the terminated participants vested balance:*

* *Under $1,000: Cash-out Provision*
* *$1,000 - $5,000: IRA Rollover Provision*
* *Over $5,000 OR No Cash-out Provision*

*All sample letters reference a distribution form and special tax notice. Please obtain these items from your recordkeeper and send to former participants along with the applicable letter. In addition, it is recommended that you send the letters (on your letterhead) via registered mail so that you have documentation that these former employees were notified of their plan rights.*

**Vested Account Balance under $1,000: Cash-Out Provision**

Date

Participant Name

Address1

Address2

City, State ZIP

RE: Plan Name (the “Plan”)

Dear\_\_\_\_\_\_\_\_\_:

As a terminated participant in the above-referenced Plan, you have several options regarding your vested account balance. Specifically, you may elect one of the following:

* Rollover to an Individual Retirement Account (IRA)
* Rollover to another employer sponsored retirement plan (e.g. 401(k) plan)
* Receive a cash distribution
	+ Proceeds considered taxable income in the year of distribution
	+ Federal income tax equal to 20% of distribution must be withheld
	+ Early withdrawal penalty of 10% of distribution may apply if you are younger than age 59½

Please read the enclosed Tax Notice regarding your distribution options and the applicable tax consequences.

You must complete the enclosed distribution form to elect a distribution option. The Plan’s recordkeeper will charge a distribution fee of $XXX.XX to your account, which will reduce the amount paid to you.

If we do not receive a completed form from you within **30 days** of the date of this letter, the Plan will distribute your vested account balance to you in the form of a cash payment and withhold the applicable taxes.

If you need assistance completing the distribution form, please do not hesitate to contact us.

Sincerely,

Plan Sponsor

**Vested Account Balance from $1,000 - $5,000: IRA Rollover Provision**

Date

Participant Name

Address1

Address2

City, State ZIP

RE: Plan Name

Dear\_\_\_\_\_\_\_\_\_:

As a terminated participant in the above-referenced Plan, you have several options regarding your vested account balance. Specifically, you may elect one of the following:

* Rollover to an Individual Retirement Account (IRA)
* Rollover to another employer sponsored retirement plan (e.g. 401(k) plan)
* Receive a cash distribution
* Proceeds considered taxable income in the year of distribution
* Federal income tax equal to 20% of distribution must be withheld
* Early withdrawal penalty of 10% of distribution may apply if you are younger than age 59½

Please read the enclosed Tax Notice regarding your distribution options and the applicable tax consequences.

You must complete the enclosed distribution form to elect a distribution option. The Plan’s recordkeeper will charge a distribution fee of $XXX.XX to your account, which will reduce the amount paid to you.

If we do not receive a completed form from you within **30 days** of the date of this letter, the Plan will distribute your vested account balance to you in the form of an automatic rollover to an IRA established on your behalf at Financial Institution. Further information regarding the rollover will be provided to you at that time. The account will be invested in an instrument designed to preserve the initial rollover amount, and all account maintenance fees will be charge directly to the IRA.

If you need assistance completing the distribution form, please do not hesitate to contact us.

Sincerely,

Plan Sponsor

**Vested Account Balance Exceeds $5,000**

Date

Participant Name

Address1

Address2

City, State ZIP

RE: Plan Name

Dear\_\_\_\_\_\_\_\_\_:

As a terminated participant in the above-referenced Plan, you have several options regarding your vested account balance. Specifically, you may elect one of the following:

* Rollover to an Individual Retirement Account (IRA)
* Rollover to another employer sponsored retirement plan (e.g. 401(k) plan)
* Maintain your balance in the Plan
* Receive a cash distribution
	+ Proceeds considered taxable income in the year of distribution
	+ Federal income tax equal to 20% of distribution must be withheld
	+ Early withdrawal penalty of 10% of distribution may apply if you are younger than age 59½

Please read the enclosed Tax Notice regarding your distribution options and the applicable tax consequences.

If you would like to withdraw your account from the Plan, you must complete the enclosed distribution form to elect a distribution option. The Plan’s recordkeeper will charge a distribution fee of $XXX.XX to your account, which will reduce the amount paid to you.

Please note that if you elect to maintain your balance in the Plan that your account will continue to be assessed all otherwise applicable plan maintenance fees, and the investment of your account will be limited to those options available to all other plan participants.

If you need assistance completing the distribution form, please do not hesitate to contact us.

Sincerely,

Plan Sponsor