Frequently Asked Questions
For Retirement Plan Participants

Who is the Retirement Plan Sponsor?

Your employer is considered the Retirement Plan Sponsor and Plan Administrator. The Plan Administrator will maintain your Plan and provide contact information of those who may assist you in completing your enrollment forms and helping you select your investments.

How are my contributions made to my Company’s Retirement Plan?

Your contributions to the retirement plan are made through regular salary deferrals, on a pre-tax basis or post-tax basis (Roth option). Refer to the Summary Plan Description or contact your Plan Administrator to see which options are available to you.

What is the difference between a pre-tax contribution and a Roth (post-tax) contribution?

Depending on your plan, you may have both pre-tax (traditional) and post-tax (Roth) contribution options. Pre-tax means your contributions are deducted before your federal taxes are withheld and you do not pay any taxes until you start withdrawals. Roth contributions are taxed upfront, and as long as they are Qualified Distributions, the retirement funds are withdrawn tax free during retirement.

How much money can I put into my Retirement Plan?

The maximum contribution amount is set by the IRS and annually adjusted for inflation. Participants 50 years of age and older may also make an additional "catch-up" contribution to help increase their rate of retirement savings. The contribution limits for 2020 are $19,500 per participant and $6,500 for "catch-up" contributions.

How much money should I contribute to my Retirement Plan?

If your employer is matching your contribution, you should try to contribute at least as much as your employer is matching. There are also tools, such as a financial calculator, on your plan’s website to assist you. Please contact your Northwest representative or a financial advisor for further guidance.

How should I invest my Retirement Plan account?

When making investment decisions, you should carefully consider your unique circumstances, retirement income goals, and risk tolerance. You have access to a well-balanced selections of investments to choose from and you should select the investments that provide diversification and are suited to your retirement goals. You can transfer money among these choices either on-line or by using the investment change form available from your Plan Administrator or Employer. Please note that some investments have trading restrictions.
What is a Target Date fund?

A target-date fund is a single mutual fund that is broadly diversified across a mix of stock, bond and money market investments. This fund will invest the assets based upon your current age and will become more conservative over time as you approach your “target date” of retirement.

What is Vesting?

Vesting refers to the ownership of the money that has been deposited into your retirement account. The vested portion of your account is the balance that you are able to access. When you contribute to your account, that money is always 100% vested and 100% yours from the time of the contribution. Your employer’s contribution may be subject to a vesting schedule, whereas you earn the employer’s contribution over a period of years. If you were to leave prior to the completion of the vesting schedule then you would only be able to keep the “earned” portion.

Why was part of my distribution forfeited?

Forfeiture means that your account was not 100% vested. You always own 100% of the money you contributed to the Retirement Plan, including the earnings; but as mentioned above, the Company’s money may have a vesting schedule. The forfeited money stays within the Retirement Plan to benefit the Plan and remaining participants.

Can I stop contributing to my Retirement Plan while I am still employed?

You may stop contributing to your Retirement Plan at any time. You will need to notify your Plan Administrator and/or your employer. You can also reenter the Plan, as long as you are still eligible, based on the entry dates outlined in the Summary Plan Description.

Can I withdraw money from my Retirement Plan while I am still employed (i.e. in service distribution)?

You may access your account balance at retirement age, death, disability, or termination. Your plan may also allow loans, hardship distributions or other in-service options. Please consult the Summary Plan Description or contact the Plan Administrator for further information.

If I stop working for my employer, when can I get my money from my Retirement Plan account?

When you leave an employer, the three main options for your account are to take a distribution, to roll the balance to another qualified account or IRA, or to keep your account with your previous employer.

When you retire or terminate employment, you are eligible for a distribution from your Retirement Plan. Any cash distributions will be subject to ordinary income tax at your specific tax rate. If you are under the age of 59 ½ years you will also pay an early withdrawal penalty that is currently 10% of your distribution. A cash distribution will also require that 20% of the entire balance be sent to the IRS for your tax liability that is typically done by the Company at the time of the distribution. You may be able to avoid immediate tax consequences by transferring (“rolling”) your eligible distribution to an Individual Retirement Account (IRA) at a financial institution or to your new employer’s tax-qualified Retirement Plan. The transfer is generally a nontaxable event but you should consult your tax advisor concerning your specific situation. Finally, you may be able to remain with the current Plan Provider and remain a plan participant until you elect to choose one of the aforementioned options.
What happens to my account if my employer terminates the Retirement Plan?

When an employer terminates a Retirement Plan, a participant’s balance becomes 100% vested. You can take a distribution from the plan or roll (transfer) your balance to an Individual Retirement Account (IRA).

What happens if my employer declares bankruptcy?

All of your salary deferrals, including employer contributions, are protected and maintained in a separate trust for the benefit of the plan participants. In addition, if your employer lays off a large number of employees within a year, your unvested employer contributions may also become fully vested.

Why should I invest in my Company’s Retirement Plan?

There are three great reasons on why you should participate in your company’s retirement plan: it’s convenient, there may be tax advantages, and your investments have long term growth potential. Your employer will automatically deduct the contribution from your paycheck through the payroll system which provides an efficient way to systematically save for retirement. Amounts contributed by employees to an employer sponsored retirement plan reduce taxable income, thereby reducing current tax liability. Finally, you can contribute more to a qualified employer retirement plan than you can an Individual Retirement Account (IRA).