

# Frequently asked ESOP/Sharing Profits Questions

## What are the 3 things that make up your ESOP account?

Contribution, Forfeitures & Earnings

The Contribution is money that Stewart's gives to the ESOP to share with the partners. The contribution is shared proportionately based on your wages. You are eligible for a piece of the Company Contribution if you work at least 1000 hours in the plan year.

Forfeitures come from partners accounts who leave the Company that are not vested. It gets split among the remaining participants accounts. You are eligible for forfeitures if you work at least 1000 hours in the plan year.

Earnings are dollars you receive based on Company growth; everyone receives the same percentage based on the beginning balance in your acct.

## What is my ESOP compensation?

Your ESOP compensation comes from your total Gross wages off your last pay check of the year.

You can also use your W-2 wages if you add your pre-tax deductions back in that you paid for the year. (Health/Dental/MSP)

## What is Vesting and what does it mean to me?

Vesting is a % of your account that is yours based on years of plan participation. 1000 hours / yr = 1 plan yr of service

If you become 100% Social Security Disabled (SSDI) or die while working you vest 100% automatically regardless of years of service.

Vesting schedule is as follows:

2 plan years of service = 20% vesting

3 plan years of service = 40% vesting

4 plan years of service = 60% vesting

5 plan years of service = 80% vesting

6 plan years of service = 100% vesting

**Note:** *If you terminate employment with less than six years of service you will be entitled to the corresponding vested percent on your statement and the remainder of the account will forfeit back to the remaining participants.*

## Why is a beneficiary form important?

This form designates who gets your ESOP money upon your passing.

The Primary beneficiary you designate on this form receives your vested ESOP balance and the Contingent beneficiary receives the money should your Primary pass away. Upon marriage/divorce, birth/adoption and death, you should consider updating your beneficiary form.

The Beneficiary Designation we have on file for your ESOP overrides any statement in your Will and /or Estate.

## Can I name someone other than my spouse as my Primary Beneficiary?

New York State does not allow you to disinherit your spouse from a retirement plan. Your spouse can waive their right to your balance by filling out a Spousal Waiver to Rights on the back of an original beneficiary form. Every time you make a beneficiary change from that point on you must get a new signed spousal waiver notarized; until you are legally divorced.

## How can I make a change to my ESOP Beneficiary form?

If you need to make any changes, make them on the copy you receive with your statement and return it to personnel.

If you need to make a change during the year, you can use the form from your prior year statement or call personnel (ext. 3230) for a new form. A good time to review your beneficiaries is when you get your ESOP statement.

## What happens to my account if I die?

If you are actively working and die your account becomes 100% vested if it's not already. The Primary Beneficiary will receive a letter with the options of keeping the dollars with the Company to continue to grow or to withdraw the money.

There are required minimum plan distributions that your beneficiary will need to take out. They will need to provide us with your death certificate and are subject to taxes, however, not the early withdrawal 10% penalty.

It is important your beneficiaries know who they are and that they have this benefit available to them.

## How do I get my ESOP dollars?

If you qualify for retirement, (age 55 with 7 years of service or age 62) you're eligible for an immediate payout.

You will get a letter reflecting your last known balance and your options for withdrawing.

If you leave, then May of the following year is your eligible date for distribution. Different taxes apply in all situations.

**Note:** You can leave your ESOP vested account balance with Stewart's Shops rather than rolling it into an outside IRA. This account is intended for your retirement. It will continue to grow at the same rate as a partner and we do not have admin/hidden fees like most other banks.

## Can I take a loan or emergency withdrawal from my ESOP account?

Yes, you can borrow or withdraw up to 1/3 of your vested balance, not to exceed \$50,000.00.

Reasons can be for purchasing your principal residence, college expenses, extraordinary medical expenses, funeral expenses, expenses to prevent foreclosure/eviction, or qualified expenses from damage to your principal residence.

Loan term is 5 year payback (260 pymts) though payroll deductions + interest. Loans do not impact your balance.

Withdrawals are not recommended because of loss of retirement dollars and tax consequences.

For questions or comments please call Angela Mash in Personnel at Ext. 3415.