



Krosnowski & Scott LLC
Investment & Retirement Planning Specialists

ExxonMobil Savings Plan In-Service Withdrawal Review

It is important to be aware of the fallout that may occur from taking a distribution from the Savings Plan prior to retirement and to factor this information into your decision making process before you decide to receive a distribution. It is highly recommended to run an NUA stock distribution analysis and fully understand the potential benefits of this retirement plan distribution option. Receiving an In-Service withdrawal may negatively impact the tax planning benefits of receiving an NUA stock distribution after you retire from ExxonMobil by reducing your “tax paid” balance.

The **hierarchy of assets** for any withdrawal from the Savings Plan is as follows:

- A. Savings Plan Investment Categories-Level I**= The first asset to be liquidated is the Common Assets fund, **Level II**= The second category is the Unit funds (Bond, Balanced, International Equity, Equity and Extended Market). **Level III**= The last category that is liquidated to fund a distribution is company stock.
- B. Savings Plan Asset Sources**-

In many instances, the first category that is available for withdrawal is the Pre-1987 after tax balance in the General account. The next available balance is the Post-1986 after-tax contributions plus earnings from the After-Tax account (except in the case of the ESOP diversification). As a result of the merger in 2003, Heritage Mobil employees may have additional assets available from their protective benefit that was carried over.

Normally the last account that is drawn from is the Before-Tax account. This account is usually only accessed in-service under the conditions of a hardship withdrawal which can only be requested on account of preventing property foreclosure, paying for funeral expenses for an immediate family member, medical expenses not covered by insurance and the payment of post secondary education expenses for the next 12 months for a spouse or dependent children.

There are three ways for ExxonMobil employees to receive withdrawals from the 401k/Savings Plan while they are actively employed by the company.

- I. **ESOP Diversification** -Based on an IRS formula, employees can receive their balance from the Stock Match account that was contributed by the company prior to 2007. Normally the assets involved are subject to income taxation if they are not rolled over into an IRA. An exception is the very rare occasion when pre-1987 after-tax contributions are involved in the calculation. To qualify for this distribution method, employees must be between the ages of 55 and 61 and must have participated in the Savings Plan for at least ten years. The window for requesting this type of withdrawal is from January 1 to March 31. Distributions can be in the form of company stock shares or cash.
- II. **Non-Taxable Withdrawal**-There are no qualification requirements for this type of distribution. Employees can withdraw their pre-1987 after-tax contributions from the General account without tax consequence.

III. **Maximum Withdrawal without Suspension**-There are no qualification requirements for this type of distribution. The first assets that come out of the plan are the Pre-1987 after-tax contributions in the General account. Then Post 1986 after-tax contributions plus earnings come out of the After-Tax account. The distribution amount associated with the Post-1986 balances is calculated using an IRS formula.* To determine this figure it is suggested to contact a Savings Plan representative at **ING (877-966-4015)**. After-tax contributions are not subject to income taxes when they are distributed from the Savings Plan. Earnings withdrawn from the Savings Plan are to subject to income taxes and the ten percent pre-mature withdrawal penalty if received prior to age 59 ½ if they are not rolled over into an IRA.

Maximum Three Month Suspension Withdrawal- The three month suspension time period prevents participant contributions and employer matching contributions during that time.

Maximum Six Month Suspension Withdrawal-The six month suspension time period prevents participant contributions and employer matching contributions during that time.

*Prior to 1987, IRS tax laws allow for after-tax contribution only in-service withdrawals. For Post-1986 balances, the withdrawal has to include a proportion of both pre-tax and after-tax balances. Only two in-service withdrawals are allowed per year.

Situations may arise where you may have a need for cash before you retire from ExxonMobil. Fortunately, the company Savings Plan has loan and in-service withdrawal provisions that can help you meet your financial needs. It suggested to thoroughly review the pros and cons of taking such action so that you fully understand the repercussions before proceeding. It is suggested to contact ING, your tax adviser and us before you receive an In-Service withdrawal. Please do not hesitate to contact us if you would like advice on this strategy or other wealth management issues such as investment, retirement, college, life insurance, tax or estate planning.

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