




Penalty-free withdrawal for birth or adoption

Lincoln Alliance® program



QBAD AT A GLANCE

-  You may withdraw up to \$5,000 per child.
-  Withdrawals must be requested in the one-year period beginning with the birth or adoption date.
-  QBAD amounts must be repaid to a retirement plan or IRA within the three-year period beginning on the day after the distribution is made.

New parents gained more financial flexibility under a provision in the Setting Every Community Up for Retirement Enhancement (SECURE) Act of 2019. A penalty-free withdrawal may be taken from the plan for qualified birth and adoption expenses.

When you welcome a new child into your family, you have the option of taking a Qualified Birth or Adoption Distribution (QBAD). These rules apply to QBADs:

- A total of \$5,000 per child may be taken from the vested balance in your retirement account, subject to plan restrictions, or your Individual Retirement Accounts (IRAs).
- Each parent may take a separate QBAD from their individual plans or IRAs.
- You must certify that the withdrawal occurred within the one-year period following the birth or adoption date of a child under 18, or if over 17, is physically or mentally incapable of self-support due to a disability.
- Additional QBADs may be taken for future children, after the birth or adoption date, but deferral restrictions may apply.
- QBAD amounts must be repaid to a retirement plan or IRA within the three-year period beginning on the day after the distribution is made.

Tax considerations

Your distribution isn't subject to the 20% mandatory federal tax withholding. However, a 10% federal tax will apply unless you elect to waive federal tax withholding when submitting your request.

Also, your distribution is considered ordinary income and is subject to income taxes if you're withdrawing money from pretax sources. The 10% early withdrawal penalty, usually imposed if you're under age 59½, doesn't apply. But, to obtain this tax treatment, you'll need to include your child's name, age, and Social Security number on your tax return for the year the QBAD is withdrawn. You also may be required to include IRS Form 5329 with your return.

Next steps

If, after careful consideration, you're interested in taking a QBAD from your retirement plan, complete the following steps:

1. Submit your request online. Log in to your account at LincolnFinancial.com/Retirement to get started.
2. If your plan doesn't support paperless loans and withdrawals, contact the Lincoln Customer Contact Center at **800-234-3500**, Monday through Friday, between 8:00 a.m. and 8:00 p.m. Eastern, and tell a representative you want to take a distribution. Complete and return the QBAD request form provided by the Lincoln Customer Contact Center representative, which includes self-certification for eligibility. The representative can help if you need assistance completing the form.
3. Once Lincoln receives the request, we'll review it to verify that it matches your retirement plan provisions and process the distribution.

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| Not a deposit |
| Not FDIC-insured |
| Not insured by any federal government agency |
| Not guaranteed by any bank or savings association |
| May go down in value |

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Important note

Before taking an eligible distribution from your plan account or IRA, first consider other options. By withdrawing money that's meant for retirement, you'll be reducing your balance and eliminating future earnings potential.

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