

How the CARES Act impacts retirement plan account access

The Coronavirus Aid, Relief, and Economic Security (CARES) Act is a significant piece of legislation focused on helping Americans impacted financially or otherwise by the COVID-19 pandemic. Some provisions in the CARES Act allow companies to provide employees expanded access to retirement savings to help bridge an immediate financial hardship, and BNSF has taken steps to make those options available to you.

If you have not been financially impacted by COVID-19, you still have access to loans up to \$50,000 and hardship distributions for significant medical needs, as normally provided by the plan. Visit [Vanguard](#) to learn more about these options.

Eligibility

The following options are only available to you if you, your spouse or a dependent have been diagnosed with COVID-19, or you've experienced adverse financial consequences due to quarantine and shelter in place orders.

Coronavirus-related Distribution (CRD): You may take out up to \$100,000 from your retirement plan account(s), or your entire plan balance, whichever is less.

How it works:

- The 10% federal penalty tax that usually applies is waived.
- You have the option of repaying your CRD within three years after the distribution.
- You verbally certify the amount of your distribution is the amount of your need plus taxes on that distribution.
- The CRD is available before Dec. 31, 2020.

Loans above \$50,000 or 50% of your vested balance: You can borrow up to \$100,000 or 100% of the vested account balance, whichever is less.

How it works:

- Similar to loans under \$50,000, repayment of your loan is made via regular payroll deduction.
- Loan payments may be suspended for one year, see below.
- If you currently have two loans, you are not eligible for a third.
- This loan option is available through Sept. 23, 2020.

Suspension of Current Loan Payments: If you already have a loan, you may take an extra year to pay it back.

How it works:

- Your loan payments are suspended for a one-year period, but interest continues to accrue.
- Your loan payment amount will be recalculated at the end of the suspension period.
- The final repayment date for your loan is also extended by one year.
- If you have two loans and request a suspension, it will apply to both loans.

Carefully consider all options and their impacts before taking any action

If you've experienced financial hardship as a result of the COVID-19 crisis, carefully consider all available options—not just those available through the retirement plan. For example, the EAP/Work+Life website offers a free financial consultation service as well as specialists who can discuss affordable childcare and eldercare options.

We know that your retirement benefits are important to your long-term financial plans. While the following things to consider may be obvious, please carefully consider these implications in making your decision:

- **Distribution:** By taking a distribution from your 401(k) account after the stock market drops, you secure a loss. Money pulled from your account does not have the opportunity to grow with any future market gains.
- **Loan:** When you take a loan from your 401(k) account, the money you borrow loses its potential to earn investment returns in your account. In a 401(k) loan, you will likely enjoy a lower interest rate but will take investment money out of the market and may miss a market rebound. With an external lender, your interest rate will likely be higher, but your investment money remains invested.
- **Loan payment suspension:** Interest continues to accrue over the suspension period, and it is included in the recalculation of payments after the suspension period, so suspending your current loan payment will increase your loan payment down the road.

Accessing distributions or accessing/suspending loans

These options provided by the CARES Act are not available through Vanguard's website. You must call Vanguard at 800-523-1188 and certify you meet the eligibility criteria to utilize any of the provisions created by the CARES Act. Vanguard associates are available at 800-523-1188, Monday through Friday from 7:30 a.m. to 8 p.m., Central time.

As always, you may want to consider a consultation with a professional tax advisor before you decide to withdraw funds from your retirement plan.

This document is provided as a Summary of Material Modifications (SMM) to the Plan. It is a summary and does not contain all Plan details. The full provisions of the formal Plan documents as they exist now, or may exist in the future, will always govern. Read and keep this Notice with your material describing the Plan. If you have any questions, contact Vanguard at 1-800-523-1188.