DISTRIBUTION

OPTIONS

This brochure is designed to help you evaluate the distribution options available from the MIT Supplemental 401(k) Plan and includes:

- Your options in detail
- The tax consequences of each option
- The action you will need to take to initiate a distribution

MIT

Introduction

One of the decisions you will make about your retirement concerns your MIT Supplemental 401(k) Plan. Unlike Social Security and any traditional pension plans you may be eligible for (such as the MIT Basic Retirement Plan), the way you elect to receive benefits from your MIT Supplemental 401(k) Plan account is under your direct control. The choices you make now about your balance can significantly influence the amount of retirement income produced from your savings.

That is why it is important to carefully consider all of your distribution options before deciding which options are appropriate for you.

Determining Your Retirement Income Needs

Answers to the following questions may help you determine the distribution option that is best for you.

- Are your expenses likely to increase, decrease or stay about the same?
- How much of your income will be provided by Social Security and any pension benefits you may be eligible to receive?
- Will you have other sources of income available to you, such as IRAs, the MIT Basic Retirement Plan, or a defined contribution retirement plan from a previous employer?
- Do you plan to work part-time or full-time?
- When will you access your MIT Supplemental 401(k) Plan account?

Your Retirement Time Horizon

On average, people are now spending about 20 or more years in retirement. You could spend even more if you intend to retire early. You need to plan and invest carefully even after you have retired to help ensure your money lasts at least that long.

Your MIT Supplemental 401(k) Plan Distribution Options

In general, you have a number of options to consider:

- Leave your money in the Plan (Account balance must be over $5,000)
- Take systematic withdrawals from the Plan
- Elect to transfer some or all of your money to an annuity
- Take a cash distribution (partial or full) from the Plan
- Elect a direct rollover

LEAVE YOUR MONEY IN THE PLAN

You can continue to take advantage of the Plan after you retire or terminate employment by simply leaving your money in the Plan. (Provided your account balance is over $5,000)

ADVANTAGES

- Access to the same investment options offered to active employees.
- Control of your investment mix.
- Access to your account virtually any time via Fidelity's toll-free phone and Internet services.

TAX CONSIDERATIONS

- Continued potential for tax-deferred growth.
- IRS 10% early withdrawal penalty may be avoided.
- You will not pay income taxes until you take a distribution.
- All other distribution options are still available.

NEXT STEP

- To leave your money in the Plan, no action is required.

SYSTEMATIC WITHDRAWALS FROM THE PLAN

A systematic withdrawal plan (SWP) allows you to take your 401(k) Plan account balance in regularly scheduled payments. When you choose a systematic withdrawal plan, you have direct control of income payments. Payments can be in any dollar amount you choose, over a specific time frame, or calculated based on your life expectancy.[1] You may receive payments in monthly, quarterly, semiannual or annual installments, and you can change or stop your SWP at any time. Systematic withdrawals are not guaranteed to last as long as you live.

If you are married when payments begin, your **spouse's written consent** is required for this form of payment.

<u>Systematic withdrawal payment options are:</u>

Specific Dollar Method—Specified dollar payments are made regularly on a monthly, quarterly, semiannual, or annual basis until your balance is reduced to zero. The number of payments will vary depending on the total market value of your account and the performance of your investment elections.

Specific Period Method—A specific number of payments are made regularly, the value of which fluctuates based on the total market value of your account, the performance of your investment elections, and the payment frequency you select.

[1] Payments must be received at least annually, for at least five years. You must be over age 59½ when (or if) you stop the payments. The Fidelity Systematic Withdrawal Plan choices that are based on life expectancy qualify as methods of receiving "substantially equal periodic payments," as do income annuities. Selecting these options can help you avoid the 10% early withdrawal penalty, but always consult a tax advisor before making your choice.

ADVANTAGES

- Access to the same investment options offered to active employees.
- Control of investment mix.
- Access to your account virtually any time via Fidelity's toll-free phone and Internet services.
- Opportunity to take additional (unscheduled) withdrawals if the need arises.[2]

TAX CONSIDERATIONS

- No taxes are due on amounts remaining in the 401(k) Plan.
- Continued potential for tax-deferred growth.
- Federal income taxes will be due at the rate in effect when the money is withdrawn. State taxes may also apply.
- Taxes can be withheld automatically from each payment, or you can elect to have no taxes taken out.
- Withdrawals taken prior to age 59½ may be subject to the IRS 10% early withdrawal penalty,[3] unless you turn age 55 or older in the year you retire or terminate employment.

NEXT STEP

- To request systematic withdrawals from the Plan, call Fidelity at **1-877-MIT-SAVE.**

ELECT A TRANSFER TO PURCHASE AN ANNUITY

This payment form is known as an annuity. Your account can be converted to a *fixed* annuity or a *variable* annuity.[4]

A fixed annuity provides you with a level fixed income. On the other hand, a variable annuity will provide payments that increase or decrease over your lifetime based on the returns of the underlying investments you choose. You can change your investments at any time.

Optional forms of annuities are:

Single Life Annuity—Payments are made to you for as long as you live. After your death, no payments are made to your survivors. Since no payments are made to your survivors, this option provides the largest monthly lifetime income.

If you are married when payments begin, your **spouse's written consent** is required for this form of payment.

2 If you are taking substantially equal periodic payments to avoid the IRS 10% early withdrawal penalty (see the "Other Tax Considerations" section on the last page), any changes to your payment schedule may have severe tax consequences. Always consult a tax advisor before making any changes.

3 You may be able to avoid the early withdrawal penalty by choosing the "time certain" or "life expectancy" withdrawal method (see the "Other Tax Considerations" section on the last page).

4 Variable annuity values and investment returns will vary and you may have a gain or loss when payments are made.

Joint Life Annuity—Payments are made to you for as long as you live. Upon your death, payments continue to a survivor you designate when payments begin. You decide how much will be continued to your designated survivor. Your designated survivor's payments continue as long as the survivor lives. This designated survivor is known as your *joint annuitant*. This election will reduce the amount of your monthly annuity payment.

If you are married when payments begin, your **spouse's written consent** may be required for this form of payment.

Period Certain—To either a single life annuity or a joint life annuity, you may add the requirement that payments be made for a minimum number of years. This minimum payment period, known as a *period certain*, may not exceed your life expectancy (or the joint life expectancy of you and your joint annuitant).

This option will reduce the amount of your annuity payment.

If you are married when payments begin, your **spouse's written consent** will be required for this form of payment.

ADVANTAGES

- You cannot outlive your retirement income.

TAX CONSIDERATIONS

- Federal income taxes will be due at the rate in effect when the money is withdrawn.
  State taxes may also apply.
- You will not pay income taxes on the money at the time you purchase the annuity.

NEXT STEP

- To elect an annuity, call the MIT Benefits Office at:

  617-253-4272 Campus

  781-981-7055 Lincoln

TAKE A PARTIAL DISTRIBUTION

A partial cash distribution enables you to have access to a portion of your money, while allowing the remaining balances to continue to enjoy the benefits of the 401(k) Plan.

If you are married when payments begin, your **spouse's written consent** will be required for this form of payment.

ADVANTAGES

- Supplement other retirement income.
- Retain control of your remaining MIT 401(k) Plan balance.

TAX CONSIDERATIONS

- Payment is subject to 20% required federal income tax on the amount distributed (actual taxes owed may be higher or lower). State taxes may also apply.
- No taxes due on amount remaining in the Plan until withdrawn.
- Withdrawals taken prior to age 59½ may be subject to the IRS 10% early withdrawal penalty,[3] unless you turn age 55 or older in the year you retire or terminate employment.

NEXT STEP

- To request a partial distribution, call Fidelity at **1-877-MIT-SAVE.**

TAKE A FULL DISTRIBUTION

You may take a full distribution of your account balance in one lump sum.

If you are married when payments begin, your **spouse's written consent** will be required for this form of payment.

TAX CONSIDERATIONS

- Payment is subject to 20% required federal income tax on the amount distributed (actual taxes owed may be higher or lower). State taxes may also apply.
- Withdrawals taken prior to age 59½ may be subject to the IRS 10% early withdrawal penalty,[3] unless you turn age 55 or older in the year you retire or terminate employment.

NEXT STEP

- To request a full distribution, call Fidelity at **1-877-MIT-SAVE.**

ELECT A DIRECT ROLLOVER

One way to maintain the tax-deferred status of your account balance is to make a direct rollover of your distribution to an IRA or to another employer sponsored retirement plan.

If you are married when payments begin, your **spouse's written consent** will be required for this form of payment.

ADVANTAGES

- Access to different investment options than those offered in the MIT 401(k) Plan.
- Opportunity for continued tax-deferred growth.

TAX CONSIDERATIONS

- Assets rolled over have the potential to continue to grow tax-deferred.
- Income taxes due on withdrawals only as you take them.

NEXT STEP

- Call Fidelity at **1-877-MIT-SAVE** to request a direct rollover, or contact another financial services company.

Minimum Required Distributions (MRDs)

If you are no longer working for MIT, federal minimum distribution rules require that you begin receiving some income from your retirement plan accumulations [including the MIT Supplemental 401(k) Plan] by April 1 after the year you either (1) turn age 70½ or (2) are no longer working for MIT, whichever comes later. You also have to continue receiving enough income each year thereafter to satisfy these rules.

If you do not comply with MRD requirements, you could be subject to a 50% excise tax on the amount you should have received as income.

If you are no longer working for MIT, you must begin distributions by April 1 following the calendar year you turn 70½. For example:

- If you turn 70½ during 2003, you must begin distributions no later than April 1, 2004.
- If you turn 70½ during 2004, you must begin distributions no later than April 1, 2005.

If you take your first payment in the year you turn 70½, you will need to take only one payment that year. However, if you wait to take your first payment in the calendar year after you turn 70½ (by April 1), you will have to receive a second payment within the same calendar year.

Annuity or Systematic Withdrawal Payment options may satisfy your MRD requirements.[5] Please note, if you elect to transfer your account balance to purchase an annuity, Fidelity will issue a check to satisfy your MRD before the transfer is processed.

[5] *If you set up your payment schedule to satisfy the IRS rules for minimum required distributions (MRDs) or if you are taking "substantially equal period payments" to avoid the 10% early withdrawal penalty, any changes to your payment schedule may have severe tax consequences. Always consult a tax advisor before making any changes.*

OTHER TAX CONSIDERATIONS

Distributions from your 401(k) Plan account may be subject to mandatory 20% withholding for the prepayment of federal income taxes, and state taxes may also apply. There is no required withholding of taxes if your distribution meets one of the following criteria:

- Part of a series of substantially equal periodic payments over the life expectancy(ies) of you or you and your beneficiary(ies).
- Part of a series of substantially equal periodic payments over a period of at least 10 years.
- A distribution that is a minimum required distribution (MRD) if you have attained age 70½ and are no longer working at MIT.
- A lifetime annuity, either fixed or variable.
- A direct rollover to an IRA or another employer's qualified plan.

Keep in mind that withdrawals taken prior to age 59½ may be subject to the IRS 10% early withdrawal penalty unless you are age 55 or older in the year you retire or terminate employment with MIT. Be sure you understand the tax consequences of any distribution before you make a decision. You may want to consult a tax advisor about your situation.

Fidelity Investments Institutional Services Company, Inc.

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