

# Tax Implications

When considering your payment options, please be aware of the tax implications. We encourage you to consult a tax advisor and/or financial planner to discuss your personal tax situation.

## Monthly Annuity Payment

Your monthly payments will be taxed as regular income.

## Lump Sum Payment

If you elect to roll over your lump sum directly into the Rockwell 401(k) plan, an IRA or another tax-qualified retirement plan, it will not be taxed until you take the money out.

If you choose to roll over your lump sum into a Roth 401(k) or Roth IRA, you will pay taxes on the distribution, however, your investment returns on your Roth contribution will grow tax-free while in the plan or IRA and may be eligible for tax-free withdrawal in the future.

If you elect to receive your lump sum as a direct payment to you:

- The amount will automatically be subject to 20% required federal income tax withholdings. Certain state laws require mandatory state income tax to be withheld. If you are a legal resident of a state with mandatory withholding, this state income tax will be withheld from your cash distribution as well.
- Keep in mind that the amount of the benefit you receive may put you in a higher tax bracket, resulting in a larger tax liability in the year in which you receive your lump sum payment.
- You will have 60 days to move the lump sum into a qualified retirement plan or IRA. You can then use the tax prepayment to reduce your future tax liability when you file your tax return the following year. Or, if you overpaid your federal taxes, you will be entitled to a refund of the excess taxes withheld. Keep in mind, if the lump sum you received had 20% withholding, you'll have to add funds from other sources equal to the amount withheld in order to get the full tax advantage of the rollover.