

## Self-Certification of Hardship Withdrawals

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If your plan allows participants to self-certify eligibility for hardship withdrawals, it's important to understand your responsibilities as the plan sponsor to ensure compliance with IRS and DOL regulations.

### Key Responsibilities:

- Maintain and Follow a Written Hardship Withdrawal Policy
- Your plan document (or separate written policy) should clearly outline the conditions under which hardship withdrawals are permitted and that self-certification is allowed in accordance with current IRS guidance.
- Ensure Proper Self-Certification Procedures
- While you are not required to collect source documentation under self-certification, you must ensure:
  - The participant certifies that the withdrawal is due to an immediate and heavy financial need.
  - The amount requested does not exceed the amount necessary to satisfy the need.
  - The self-certification process aligns with IRS rules and the plan's terms.
- Monitor for Compliance and Reasonableness
- Although documentation of the hardship itself is not required under self-certification, it is your duty to:
  - Review and retain the participant's self-certification.
  - Ensure consistency and reasonableness in requests. If there is any actual knowledge that contradicts the certification, the request should be scrutinized further and potentially denied.
  - Monitor for patterns that may suggest misuse or abuse. Appropriate participant education should be conducted to ensure participants are aware of the allowable IRS safe harbor events to self-certify for a hardship distribution.
- Coordinate with Your Recordkeeper or TPA
- If a third party administers hardship withdrawals, confirm that their procedures meet IRS requirements for self-certification and that they provide you with the necessary records for plan audit and oversight purposes.

If you have any questions throughout the year, don't hesitate to reach out to one of our team members.

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