

# 2020 Voluntary Separation Program

## Southwest Airlines Co. Retirement Plans



You've made an important decision for your future—and the future of Southwest Airlines. As you prepare to leave employment there are some things you should know about the options you have related to your balance in the Southwest Airlines Co. 401(k) Plan or ProfitSharing Plan.

No matter what your next chapter is or the new passions you plan to pursue, you have a variety of choices available in terms of what you want to do with your savings. The flexibility of the options allows you to make decisions based on your specific needs. In most cases, you can:<sup>1</sup>

- Keep your money in the Southwest Airlines Co. 401(k) Plan or ProfitSharing Plan.
- Roll over your balance to another employer's account.
- Withdraw money from your account using installment payments.
- Take your balance(s) as either a lump sum or a partial lump sum.

*Each option has different tax implications, so please consider your choice carefully.*

We recognize your decision to leave employment was not an easy one to make. Our hope is that this information helps you make a smooth transition to your next adventure. And remember, wherever you go from here, you'll always be part of the Southwest Family.

<sup>1</sup> If you are a participant who reached age 55 and completed 10 years of ProfitSharing Plan participation as of December 31, 2007, you will automatically receive any withdrawal or distribution from the ProfitSharing Plan in the form of a Qualified Joint and Survivor Annuity. You may choose a different option with the notarized written consent of your spouse. For more information, please contact Empower Retirement at **(866) LUV2SAV [(866) 588-2728]**.

---

## What can I do with the money I have in the Southwest Airlines Co. 401(k) Plan or the ProfitSharing Plan?

### 1. Keep the money in the Southwest Plans.

Before you make any decisions, remember—just because you're leaving Southwest, that doesn't mean you have to take your money out of the Plans. You can keep your money in the Plans as long as you'd like.\*

Keeping your money in the Plans offers several advantages worth considering:

- When you retire, you have the option to receive your money in installment payments from the Plans. Please see the call-out box below for additional information or call Empower Retirement at **(866) LUV2SAV [(866) 588-2728]** for an overview of the types of installment payments available to you.
- You will continue to invest in funds with institutional pricing, which may be lower than prices you find with retail investment funds.
- Pretax money may continue to grow with any investment earnings, which stay tax-deferred until you withdraw the money.
- If you save through the 401(k) Plan's Roth feature, that money may continue to grow with investment earnings, which will be tax-free when you take a qualified distribution.
- There is ongoing oversight of the funds in the 401(k) and ProfitSharing Plans.
- You will still be able to use the planning and education tools available at the Plan's website, [www.freedomtoretire.com](http://www.freedomtoretire.com).

*Please note: If your vested account balance is less than \$1,000 when you leave Southwest, the Plan will automatically distribute it to you, minus applicable taxes, within 90 days of your termination date. Read on for ways to keep your money's tax-deferred status.*

\* You can keep your money invested in the Plans until you reach age 72 (age 70½ if you turned 70½ before January 1, 2020), when the government requires you to begin taking required minimum distributions. As part of the CARES Act, you can waive your minimum distribution for 2020. If you would still like to take a required minimum distribution for 2020, please contact Empower Retirement.

### 2. Roll your money into a traditional individual retirement account (IRA)

You may roll over all or part of your pretax balance to a traditional IRA, a retirement savings vehicle available through many financial institutions. Rolling your balances into an IRA can provide several benefits, including continued tax deferral, new investment choices, and flexibility. Initial or annual fees may apply, so be sure to check out the terms with the financial institution of your choice.

### 3. Roll your money into a Roth individual retirement account (IRA)

If you have been saving through the Southwest Airlines Co. 401(k) Plan's Roth feature, you may roll over any of your Roth contributions and the associated investment earnings into a Roth IRA, available through many financial institutions. The amount you roll over into a Roth IRA is not subject to taxation because you made those contributions as a Southwest Employee, with after-tax money. You can also roll over the pretax money from the 401(k) Plan or ProfitSharing Plan to a Roth IRA, but your rollover will be subject to ordinary income tax when you transfer it. For this reason, you should consider whether the Roth IRA or a traditional IRA would be a better option for the pretax money in your accounts. Rolling your balances into a Roth IRA can provide several benefits, including:

- Continued tax-free status (Roth dollars) or tax deferral (pretax dollars);
- New investment choices; and
- Flexibility.

Initial or annual fees may apply, so be sure to check out the terms with the financial institution of your choice.

### 4. Transfer the money to your new employer's plan

If you have a new job, and your new employer's plan accepts rollovers, you may be able to roll over your money into that plan. Your new employer's plan will have different investment options and features, but it's a way to continue to defer taxes on your account. If your new employer's plan has a waiting period, remember, you can keep your money in the Southwest Plans until you are age 72, at which time required minimum distributions will begin.

## 5. Withdraw the money from your account

This option gives you immediate access to your money, but it could come with a hefty price tag, including the following costs:

- A possible 10% early withdrawal penalty if you are under age 59½
- A required 20% automatic withholding for taxes (on pretax dollars)
- All applicable state, local, and federal income taxes

One of the biggest advantages of plans like the 401(k) Plan and the ProfitSharing Plan is the ability to defer taxation of your money until it's time to retire.

### Will you be 55 or older in 2020?

If you are between ages 55 and 59½ at any point in 2020, you may not be subject to an early withdrawal penalty. To take advantage of this rule, your employment must end in the year you turned 55 or older. If you satisfy this requirement, then any money you withdraw from your Southwest Airlines Co. 401(k) or ProfitSharing Plans will be penalty-free (applicable taxes will still apply). Remember, if you roll your money over to a different account, the penalty waiver goes away, and you may be required to pay the penalty for a subsequent withdrawal taken while you are under age 59½.

## 6. A combination of the previous options

You have the flexibility to select a combination of the options previously described. You do not have to select just one. You can choose what option(s) work best for you and your money.

The following example illustrates the impact of taking a cash distribution vs. rolling over or leaving your money in your Southwest Plans.

	Cash it out	Leave it in the Plans or roll it over
<b>Example:</b>		
Plan balance	\$50,000	\$50,000
20% federal income taxes <sup>1</sup>	\$10,000	--
5% state and local income taxes <sup>2</sup>	\$2,500	--
10% early withdrawal penalty (if you're under age 59½)*	\$5,000	--
Cash you would receive	\$32,500	--

1 This is an estimate of federal taxes. This does not guarantee that all applicable taxes have been satisfied. Your actual federal taxes may differ and will be determined when you file your tax return.

2 State and local taxes may apply.

\* Your withdrawals may be subject to ordinary income tax. Withdrawals made prior to reaching age 59½ may incur a 10% early withdrawal penalty.

Before taking advantage of any distribution from your retirement account, including installments, you are encouraged to consult with your financial advisor. In addition, take into consideration any potential fees, taxes, penalties, and limitations of investment options.

## Roth 401(k) withdrawals

If you made Roth 401(k) contributions to the Southwest Airlines Co. 401(k) Plan, you can withdraw those funds, without any taxes or penalties, if it has been at least five years since you made your first Roth 401(k) contribution and you are at least age 59½ when you take the withdrawal. If it has been fewer than five years since you made your first Roth 401(k) contribution or you are younger than age 59½, you may also withdraw those funds, but you may be subject to a 10% early withdrawal penalty, and you may be responsible for paying taxes on the earnings that have accumulated on your Roth 401(k) contributions.

## Installment payouts

Using installment payouts means that you can choose to have a fixed or variable amount distributed to you from your Southwest Airlines Co. 401(k) Plan or ProfitSharing Plan account automatically at specific increments of time.

You can choose to have money distributed to you at one of these increments:

- Monthly
- Quarterly
- Semi-annually
- Annually

## What if I took a distribution from the Southwest Airlines Co. 401(k) Plan because of the CARES Act?

If you took a distribution from the 401(k) Plan because you self-certified that you qualify for CARES Act relief, there are a few things you need to be aware of.

- If you are under age 59½, you will not be subject to the 10% early withdrawal penalty on your distribution up to \$100,000.
- You are able to spread the federal tax liability on the distribution over a period of three years. The IRS will release a Form 8915E at the end of the year for this purpose. Please be aware that this three-year tax period doesn't apply to state and local taxes.

- Before you leave Southwest, you can pay back any distribution you took from your 401(k) account due to the CARES Act. Once you terminate employment, you can no longer pay back any of the distribution to your 401(k) account. However, you have the option to roll it over to an IRA accepting rollover contributions at any time during the three years after you took the distribution.

## What will happen if I have a loan still outstanding when I leave employment at Southwest Airlines?

### If you have an outstanding loan for which repayments were suspended until December 31, 2020 due to meeting the eligibility definition in the CARES Act ...

- If your loan payments were temporarily suspended under the CARES Act, your full payment of the loan may be deferred until December 31, 2020.
- You will then be responsible for paying off your full remaining loan balance within 90 days, including any interest that accrued between the date your loan was suspended and December 31, 2020.
- If you do not pay the full balance of your loan, your outstanding balance may be treated as a taxable distribution to you as of the default date. And just like any other distribution, the balance may be taxed as ordinary income and, if you're under age 59½, could be subject to a 10% early withdrawal penalty.

### If you have an outstanding loan that was not suspended due to COVID-19 regulations ...

- If you have an outstanding 401(k) Plan loan when you leave Southwest Airlines, your full remaining loan balance comes due upon your departure.
- Be sure to pay off the full balance within 90 days of your last loan payment or you will default on the loan.
  - If that occurs, your outstanding balance may be treated as a taxable distribution to you as of the default date. And just like any other distribution, the balance may be taxed as ordinary income and, if you're under age 59½, could be subject to a 10% early withdrawal penalty.

## Self-directed brokerage account

If you have a self-directed brokerage account (SDBA), you should be aware of the following information, whether your SDBA investment is in the Southwest Airlines Co. 401(k) Plan or the Southwest Airlines Co. ProfitSharing Plan.

- The SDBA is intended for knowledgeable investors who understand the risks associated with it.
- You may leave your brokerage assets in the Plan. You do not have to take the money out of the Plan.\*
- You may roll over the securities in-kind to another financial institution, if they allow this type of transaction (i.e., brokerage IRAs).
- You can liquidate your brokerage holdings and roll over the cash to another financial institution.
- You can withdraw the cash, which may incur taxes and potential penalties.

\* Please note: If your account balance is less than \$1,000 when you leave Southwest, it will be automatically distributed, net of taxes, within 90 days of your termination date.

## Contributions to your Southwest Airlines Co. 401(k) Plan account

You cannot contribute to your Southwest Airlines Co. 401(k) Plan account after your Southwest Airlines employment ends. You may keep your money in the Southwest Airlines Co. 401(k) Plan when you leave. See the section titled *What can I do with the money I have in the Southwest Airlines Co. 401(k) Plan or the ProfitSharing Plan?* for additional information.

## Southwest Airlines Co. 2005 Excess Benefit Plan (Non-Pilots)

If you have a balance in the Southwest Airlines Co. 2005 Excess Benefit Plan, you made an election as to the time and method of distribution when you were first eligible for the Plan.

You chose whether you wanted your distribution to begin:

- During the calendar year of termination of employment; or
- During the calendar year after the calendar year of termination of employment.

You also chose between receiving your distribution in a lump sum or in annual installments over a period of up to five years.

**These elections are irrevocable and apply to all deferrals ever made and amounts ever credited to your account under the Plan.**

If you did not elect a time and form of payment upon initial Plan enrollment, you or your beneficiary will automatically receive your payment in a lump sum in cash during the calendar year after the calendar year in which you terminate employment with Southwest.

The Plan will pay your account to you in full in any year that your balance falls below \$25,000. If it is administratively impracticable to calculate your payment amount—for reasons beyond your control—then the Plan will pay you in the first calendar year that it is administratively practicable to calculate your payment.

## Southwest stock plans

If you have any questions regarding stock you have purchased through the Employee Stock Purchase Plan or otherwise received under a Southwest stock plan, please contact Fidelity Investments®, the program administrator, at 800-544-9354. In addition, you can access your account through [www.netbenefits.com](http://www.netbenefits.com).

## Be sure to update your email address

When you leave Southwest Airlines, your work email address will no longer be valid. Take a few moments to add your personal email address to the Empower website, so you will continue to receive information about your Plan accounts.

Here's how to update your email address:

- Log on to **[www.freedomtoretire.com](http://www.freedomtoretire.com)**.
- Click your name at the top of the right-hand side of the homepage.
- Click the *Change Contact Information* blue box.
- Follow the instructions to add or change your personal email address.

---

## Beneficiaries

If you have not added or recently reviewed your beneficiary online for your Southwest Airlines Co. 401(k) Plan and ProfitSharing Plan accounts, please do so now. It only takes a few minutes to add or change your beneficiary(ies) for your Plan accounts. Maintaining this important information online is easy, reliable, and the best way to ensure your intentions are fulfilled in the event of your death. **Be aware** that your beneficiary designations override your last will.

Here's how to add or change your beneficiaries:

- Log on to **www.freedomtoretire.com**.
- Click on the name of the Plan on the right-hand side of the homepage.
- Click the *Beneficiaries* link in the left-hand column under Account Information.
- Follow the instructions to add or change.

You may have completed a paper beneficiary form in the past, but it is best to maintain this information online on **www.freedomtoretire.com**. By adding your beneficiary information here, you will have easy access to review and update your beneficiary(ies) at any time.

**Remember that each account (401(k), ProfitSharing, and Excess Benefit) is separate, so please be sure to add a beneficiary(ies) for each Plan in which you are enrolled.**

## Personalized guidance about retirement

We can help you achieve your retirement goals. As a benefit of the Southwest Retirement Plans, you have access to experienced Empower representatives who can provide education and advice based on your financial situation. This includes:

- Options for your retirement account when you retire
- Ways to generate income from your savings
- Social Security analysis
- Retirement budgeting, including healthcare expenses
- Investment review and recommendations

There is no cost for this service. You can reach a Retirement Consultant at **(877) 534-4569**, or schedule an appointment at **<https://rsgall.timetap.com/>**.

## Empower Retirement participant services

If you have any questions or need any assistance, Empower Retirement is here to help. Go to **www.freedomtoretire.com** or call Participant Services at **866-LUV2SAV [(866) 588-2728]** weekdays from 7 a.m. to 9 p.m. CT or Saturdays from 8 a.m. to 4:30 p.m. CT.

**Securities offered and/or distributed by GWFS Equities, Inc., Member FINRA/SIPC.** GWFS is an affiliate of Empower Retirement, LLC; Great-West Funds, Inc.; and registered investment adviser, Advised Assets Group, LLC. Investing involves risk, including possible loss of principal. This material is for informational purposes only and is not intended to provide investment, legal, or tax recommendations or advice.

Company stock invests in the stock of one company and has more risk than a diversified portfolio. Company stock is not offered by GWFS Equities, Inc.

©2020 Empower Retirement, LLC. All rights reserved. 150036-FBK-WF-571763-0720 RO192746-0520

