



SUBJECT: Important information about COVID-19 distributions

Below is important information about any COVID-19 distribution(s) that you took from your Southwest Airlines Co. 401(k) Plan ("401(k) Plan").

If you are considering paying any portion of your COVID-19 distribution back, you have up to three years after you took the COVID-19 distribution to roll it over to a qualified retirement plan or an Individual Retirement Account (IRA) that accepts rollover contributions. You should contact the IRA provider directly to confirm that they will accept the rollover contributions. Because you are no longer an active Southwest Airlines Co. Employee, you are no longer able to roll it into the Southwest Airlines Co. 401(k) Plan.

You may want to consider repaying all or a portion of the Covid-19 distribution into a qualified retirement plan for the following reasons:

1. Rolling over all or a portion of the distribution(s) to an IRA may reduce your taxable income and lower your tax bill. Refer to the income tax chart below to estimate your 2020 tax bracket. Your 2020 taxable income may include multiple sources of income, including your salary, bonuses, retirement income, and severance payments.
2. Replacing all or a portion of the distribution may increase your retirement savings for later by earning compound interest via potential investment growth and the length of time that you keep the money in a qualified retirement plan.

IMPORTANT! Regardless of whether or not you decide to roll over a portion of your COVID-19 distribution(s), you should consult a tax advisor to ensure you are making the best decisions for you and your future.



2020 Income tax brackets

	IF TAXABLE INCOME IS			
	over	but not over	the tax is	of the amount over
Married/ filing jointly and qualifying widow(er)s	\$0	\$19,750	\$0.00 + 10%	\$0
	\$19,750	\$80,250	\$1,975.00 + 12%	\$19,750
	\$80,250	\$171,050	\$9,235.00 + 22%	\$80,250
	\$171,050	\$326,600	\$29,211.00 + 24%	\$171,050
	\$326,600	\$414,700	\$66,543.00 + 32%	\$326,600
	\$414,700	\$622,050	\$94,735.00 + 35%	\$414,700
	\$622,050	—	\$167,307.50 + 37%	\$622,050
Single	\$0	\$9,875	\$0.00 + 10%	\$0
	\$9,875	\$40,125	\$987.50 + 12%	\$9,875
	\$40,125	\$85,525	\$4,617.50 + 22%	\$40,125
	\$85,525	\$163,300	\$14,605.50 + 24%	\$85,525
	\$163,300	\$207,350	\$33,271.50 + 32%	\$163,300
	\$207,350	\$518,400	\$47,367.50 + 35%	\$207,350
	\$518,400	—	\$156,235.00 + 37%	\$518,400

Covid-19 distributions and your taxable income

- You can spread the federal tax liability on a COVID-19 distribution over three years.
- At the end of 2020, the Internal Revenue Service (IRS) will release a Form 8915E for you to complete to claim the benefit of spreading the payment of the taxes on your COVID-19 distribution(s) over three years. This form will be available on the IRS website, www.irs.gov. Be sure to include it when you file your 2020 taxes.
- In early 2021, you will receive a Form 1099-R from Empower Retirement for the total amount of your COVID-19 distribution(s) in 2020. Be sure to include it when you file your taxes.



- The three-year tax grace period only applies to COVID-19 distributions and only to federal taxes. It does not apply to state taxes, local taxes, or any other distributions you may have taken from your 401(k) Plan in 2020.
- You will not be subject to a 10 percent early withdrawal penalty on your COVID-19 distribution up to \$100,000.

IMPORTANT! You should consult a tax advisor to ensure you are making the best decisions for you and your future.

If you have any questions or need any assistance, go to www.freedomtoretire.com or call the Customer Care Center 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.

Sources: IRS and Social Security Administration updates 2020.

The tax information contained in this material is based on federal laws existing on the date of its publication. Such laws are subject to legislative change and to judicial and administrative interpretation. Anyone considering the application of this information to their own situation should consult with their professional tax advisor.

This information is not intended to be a substitute for specific individualized tax, legal or investment planning advice. Where specific advice is necessary or appropriate, Empower Retirement recommends consultation with a qualified tax advisor, CPA, financial planner or investment manager.

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