

Making sense of tax withholding for your retirement plan distributions

Twice a year Vanguard Fiduciary Trust Company reminds you of your right to change the amount of federal income tax withheld, if any, from your Individual 401(k) retirement plan withdrawals. **If you're satisfied with your current withholding status, you don't have to do anything; your current election will remain in effect.**

If you'd like, you can change the percentage we withhold from your withdrawals (also known as distributions), change the funds from which we take withholding, or cancel withholding altogether.

For U.S. citizens or resident aliens

Unless you've instructed us not to withhold taxes, the IRS requires us to withhold at least 10% of withdrawals from qualified plans. *If your withdrawals are delivered outside the U.S., we're required to withhold 10% federal income tax.*

If you waive federal tax withholding, you may still owe federal and state income tax on the taxable portion of your retirement plan withdrawals. If your estimated tax payments and withholdings don't meet your tax obligations, you may be subject to IRS and state penalties.

If you elect federal tax withholding, for certain states we'll also withhold state income tax according to the current law of the state in the account's address of record. We'll withhold at the state minimum rate unless you request a higher rate.

Please note:

- If you waive federal withholding, we'll no longer withhold state income tax either. (Residents of some states, however, can waive federal withholding but still apply state withholding.)
- Not all states require that we take state withholding if federal withholding is elected.

To see state withholding rates, go to vanguard.com/rptaxwithholding.

Special rules for addresses outside the U.S.

If your account is registered to an address outside the U.S. or your payment is being directed outside the U.S., we're required to presume your tax status to be foreign and withhold 30% federal income tax from your distribution *unless* one of the following applies:

- **You're a U.S. person (including a resident alien) and we have a valid IRS Form W-9 on file.** We're required to withhold the maximum federal income tax rate from your distribution. *You can't defer federal income tax withholding for distributions delivered outside the U.S.*
- **You're not a U.S. person and we have a valid IRS Form W-8BEN on file on which you've claimed tax treaty benefits.** If you're eligible for a reduced withholding rate based on a tax treaty your country has with the U.S., you may claim the reduced rate by completing electronic Form W-8BEN, including the section titled "Claim of Tax Treaty Benefits," and providing either your U.S. taxpayer identification number (TIN) or your foreign TIN. If your form and treaty claim are valid, the reduced rate will be applied.

If you have an address outside the U.S. and aren't sure whether we have a Form W-9 or W-8BEN on file for your account, please contact us for further assistance.

To change your federal or state withholding status, log on to vanguard.com or call us at 800-205-6189 Monday through Friday from 8 a.m. to 8 p.m., Eastern time. Thank you for belonging to the Vanguard community of investors.

When taking withdrawals from an employer-sponsored retirement plan before age 59½, you may have to pay ordinary income tax plus a 10% federal penalty tax.

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Applicable state tax withholding for retirement plan distributions

The information in this table is our application of state requirements as of December 31, 2020. States may change their requirements at any time. Although a state may allow more than one method to calculate state tax withholding, Vanguard uses the method listed below.

State	Minimum state withholding required if federal withholding is taken	If federal withholding is taken, can you waive state withholding?*
Arkansas	Eligible rollover distributions	
	5% of your distribution amount	No
	Noneligible rollover distributions	
	Periodic payments: Specified by state wage tables	Yes
	Nonperiodic payments: 3% of your distribution amount	Yes
California	10% of federal withholding amount	Yes
Connecticut**	Specified by state wage tables	Yes
Delaware	Eligible rollover distributions	
	Periodic payments: Specified by state wage tables	No
	Nonperiodic payments: 5% of your distribution amount	No
	Noneligible rollover distributions	
	Periodic payments: Specified by state wage tables	Yes
	Nonperiodic payments: 5% of your distribution amount	Yes
Georgia	Specified by state wage tables	Yes
Indiana, Louisiana, Montana, New Jersey, New Mexico, New York, Utah, and Wisconsin	Any dollar amount or percentage of your distribution	Yes
Iowa***	Periodic payments: 5% of your distribution amount over \$6,000 annually†	No
Kansas***	Eligible rollover distributions	
	5% of your distribution amount	No
	Noneligible rollover distributions	
	Periodic payments: Specified by state wage tables	No
	Nonperiodic payments: 5% of your distribution amount	No
Maine and Nebraska	Periodic payments: Specified by state wage tables	No
	Nonperiodic payments: 5% of your distribution amount	No
Maryland	Eligible rollover distributions	
	8% of your distribution amount	No
	All other distribution types	
	Any dollar amount or percentage of your distribution	Yes

(over)

*If you tell us not to withhold federal income tax, we won't withhold any amount for state income tax unless your state specifies a different policy.

**Vanguard withholds the minimum amount required by Connecticut, unless we receive Form CT-W4P.

***Follows the cumulative withholding rule.

†If the total distribution amount is less than \$6,000 for the year, no state tax is applied. However, once the total is \$6,000 or more, state tax is calculated on the entire balance to date. Nonperiodic payments are taxed at 5% of your distribution amount.

State	Minimum state withholding required if federal withholding is taken	If federal withholding is taken, can you waive state withholding?*
Massachusetts***	Eligible rollover distributions 5% of your distribution amount	No
	Noneligible rollover distributions Specified by state wage tables	No
Michigan	4.25% of your distribution amount	Yes
Mississippi††	5% of your distribution amount	No
Missouri	Periodic payments: Specified by state wage tables	Yes
	Nonperiodic payments: 5.4% of your distribution amount	Yes
North Carolina	Eligible rollover distributions	
	Periodic payments: Specified by state wage tables	No
	Nonperiodic payments: 4% of your distribution amount	No
	Noneligible rollover distributions	
	Periodic payments: Specified by state wage tables	Yes
	Nonperiodic payments: 4% of your distribution amount	Yes
Oklahoma	Periodic payments: Specified by state wage tables	Yes
	Nonperiodic payments: 5% of your distribution amount	Yes
Oregon†††	Periodic payments: Specified by state wage tables	Yes
	Nonperiodic payments: 8% of your distribution amount	Yes
Vermont	Eligible rollover distributions	
	Periodic payments: Specified by state wage tables	No
	Nonperiodic payments: 30% of federal withholding amount	No
	Noneligible rollover distributions	
	Periodic payments: Specified by state wage tables	Yes
	Nonperiodic payments: 30% of federal withholding amount	Yes
Virginia	Periodic payments: Specified by state wage tables	No
	Nonperiodic payments: 4% of your distribution amount	No

*If you tell us not to withhold federal income tax, we won't withhold any amount for state income tax unless your state specifies a different policy.

***Follows the cumulative withholding rule.

††Mississippi requires state income tax withholding only if you've taken an early or excess distribution subject to the 10% federal penalty tax. State tax withholding isn't permitted in Mississippi for any other distribution types.

†††If withholding is taken for Oregon, the minimum required amount is \$10.

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All investing is subject to risk, including the possible loss of the money you invest.

We recommend that you consult a tax or financial advisor about your individual situation.