

Savings Plan 401(K) Frequently Asked Questions (FAQs)

1. How does the 401k Savings Plan work?

A 401(k) Savings Plan is a tax-advantaged retirement plan that is set up and managed by an employer. Basically, you put money into the 401(k) where it can be invested and potentially grow tax free over time. In most cases, you choose how much money you want to contribute to your 401(k) based on a percentage of your income. Your employer automatically withholds a portion of each paycheck and puts it into the account.

Visit Your Benefits Resources through the www.88sears.com, Financial - 401(k) Benefit Center for information on the Retirement Savings Plan.

2. What is the difference between Roth 401(k) and traditional 401(k) contributions?

With a traditional tax-deferred 401(k), money is taken out of your paycheck before federal income taxes are figured, providing you the chance to reduce your taxes today. You pay ordinary income taxes on the pre-tax contributions and growth when you make a withdrawal in retirement.

Note: You must be older than 59 1/2 (age 55 if you separate from your current employer) to avoid penalties on withdrawals.

Roth 401(k) Contributions are made with after-tax money, which means you don't get a tax deduction. Instead, your money can potentially grow tax free and be withdrawn in retirement without any taxes.

Note: To avoid penalties and/or taxes on withdrawals, you must hold the account for at least five years and be older than 59 1/2 (age 55 if you separate from your current employer).

3. When am I eligible to participate in the 401(k) Savings Plan?

All Transformco associates (except seasonal, temporary, on-call associates and interns) are eligible as follows:

Salaried: Newly hired are eligible to commence participation to contribute on the first day that coincides with or next follows the date such associate performs one (1) Hour of Service, after completing the enrollment process.

Hourly: Newly hired are eligible to commence participation to contribute on the first day of the third month after date of hire after completing the enrollment process.

Associates can enroll by visiting Your Benefits Resources through the www.88sears.com, Financial - 401(k) Benefit Center at any time following their hire date. Once enrolled, associates can update their participation elections at any time. There is no Annual Enrollment window associated with the 401(k) Savings Plan.

4. Investing my contributions – what are Target Date Funds?

Target Date Funds (TDFs) help take the guess work out of saving for retirement by tailoring the investment portfolio to manage risk based on the intended timeframe for withdrawing the funds. The longer the remaining investment timeline, the more risk the portfolio takes on. As the timeline shortens, the risk is reduced. The fund manager adjusts the underlying investments for you, keeping the risk level in line with your expected retirement date.

5. Can I borrow from my 401(k) Savings Plan?

You can borrow from your 401(k) Savings Plan balance for any reason.

You repay the loan through payroll deductions. Both the principal and interest you repay go into your account. You can choose to repay your loan in full without penalty. You may not change the terms of the loan (for example, increasing and/or decreasing the scheduled repayment amount or partial prepayment).

If you leave the company and have an outstanding loan, the remaining loan amount, plus any applicable interest, will be due immediately. To avoid paying taxes on the entire balance, you must pay it off completely within 90 days of when your employment ends.

If you don't repay the loan balance, it will be foreclosed and must be included in your taxable income. An early withdrawal penalty of 10% may also apply. Keep this in mind before you request any new loans.

Visit Your Benefits Resources through the www.88sears.com, Financial - 401(k) Benefit Center to see how much you can borrow by using the Model a Loan feature.

6. How much can I contribute to my 401(k) Savings Plan?

Amount of Eligible Pay You Can Contribute

	U.S. PARTICIPANTS	PUERTO RICO PARTICIPANTS
Pre-tax	Between 1% and 50%, up to the 2025 IRS maximum limit of \$23,500 ¹	Between 1% and 25%, up to the 2025 Puerto Rico Code maximum limit of \$15,000 ¹
After-tax	Between 1% and 25%	Between 1% and 10%
	The total of your pre-tax and after-tax contributions cannot exceed 50% of your eligible pay.	The total of your pre-tax and after-tax contributions cannot exceed 25% of your eligible pay.
Roth 401(k) After-tax	Between 1% and 50%, up to the 2025 IRS maximum limit of \$23,500 ¹	Not Eligible
Catch Up: Pre-Tax and Roth 401(k) (if you'll be 50 or older during the year)	Ages 50-59 or 64 and older: Additional contribution up to \$7,500, for a total of \$31,000 Ages 60-63 ("super catch-up"): Additional contribution up to \$11,250, for a total of \$34,750	Between \$1 and \$1,500 ¹ Pre-tax only
	(The dollar amount you elect will be deducted from each paycheck until the annual limit is reached.)	

¹ Subject to change annually.

² Associates whose prior year Transformco FICA earnings exceed the IRS limit are limited to making Catch Up contributions as Roth 401(k) Catch Up only.

7. What happens if I take an early withdrawal from my 401(k) Savings Plan?

Withdrawals taken before you reach the age of 59 ½ are subject to a Federal penalty tax of 10%, in addition to the normal taxes on income. State and Local taxes as well as State penalty taxes may also apply. Early withdrawal penalties also apply to Roth 401(k) withdrawals if the account has not been open for 5 years regardless of age.

8. What happens to my 401(k) Savings Plan account when I leave the company?

When your employment with Transformco ends, you have several options with regards to your 401(k) Savings Plan account. It is important to note that any outstanding loan balance must be repaid in full to avoid foreclosure of the loan.

- You can leave your balance in the plan. You will continue to have access to your account, managing investments and initiating withdrawals. Your account will not be eligible for a loan, and no further contributions can be made into the account.
- You can withdraw all of the funds from your account. All applicable taxes and penalties will be withheld from the distribution. Should you decide after the distribution is complete to roll the funds into a qualified account, you will have 60 days to deposit the funds including taxes and penalties. This is referred to as an indirect rollover.
- You can roll the funds into a qualified account such as an IRA or Employer Sponsored Plan. The funds go directly to the administrator and no taxes or penalties are withheld. This is referred to as a direct rollover. Consult your new plan administrator for details to complete a direct rollover.

It is important to note that pre-tax, after tax, and Roth 401(k) balances each have specific tax treatment for withdrawal of contributions and earnings.

9. What additional educational resources are available for the 401(k) Savings Plan?

The Alight Financial Education Center provides financial education tailored to your needs by taking a few minutes to answer questions about your lifestyle and financial goals. Once you have answered the questions, you will be provided with links to information and resources that best fit your needs.

To begin, access Your Benefits Resources on www.88sears.com and choose Financial – 401(k) Benefits Center, and navigate to the Financial Education Center.