

FAQ – 401(k) and your AIP cash bonus

Question	Answer
<p>What changes were made to the 2022 AIP?</p>	<p>For 2022, in addition to revising the company performance targets during the year, the full 2022 AIP bonus, including both the individual and company payout portions, will be paid in cash for <u>eligible Senior Directors and below</u>. Note, this change is applicable to the 2022 AIP bonus only.</p>
<p>Where can I learn more about the changes to the 2022 AIP?</p>	<p>You can learn more about the changes to the 2022 AIP on the HR Hub, including information about E*TRADE account impact and more.</p>
<p>When will the 2022 AIP cash bonus payment be made?</p>	<p>AIP cash bonus payments (for 2022) are scheduled to occur on February 24, 2023 in the US.</p>
<p>What is the deadline to make an election change in the Schwab system?</p>	<p>If you want all or a portion of your upcoming AIP cash bonus deferred to your account under PayPal 401(k) Savings Plan, you must have your AIP bonus election on file with Charles Schwab by 8:59 p.m. Pacific Standard Time on February 16, 2023.</p>
<p>How much of my AIP cash bonus payment can I defer to the PayPal 401(k) Savings Plan?</p>	<p>You may elect to defer up to 100% of your AIP cash bonus on a pre-tax, post-tax, or after-tax basis (and catch-up contributions for those who are age 50 or older).</p>
<p>I want to change my AIP cash bonus 401(k) election amount. How do I do that?</p>	<ol style="list-style-type: none"> 1. Access your PayPal 401(k) Savings Plan account with Charles Schwab here (while on the network) or here (if off the network). 2. In your profile, click on “Manage Account,” then “Contributions.” Click “Change Contribution Rates”. 3. Under Bonus Pay category, look for the contribution types starting with “AIP” (ex: “AIP: Pre-Tax Deferral”). NOTE: The contribution types starting with “Bonus” (ex: “Bonus: Pre-Tax Deferral”) <u>would not apply to your AIP bonus</u>, and instead would apply to any other cash bonuses you receive outside of the AIP (e.g., a Spot Award). 4. Update and submit your AIP bonus deferral amount.

<p>How often can I make a 401(k) election change?</p>	<p>You can make changes to your 401(k) elections throughout the year. The payroll cut-off to make changes to your elections in the Schwab system are Thursdays before 8:59 pm PST the week prior to the pay date. To view the 401(k) payroll cut-off dates for 2023, visit Plan Documents and Forms and scroll down to Financial Security – Retirement.</p> <p>Note: You will want to ensure that your AIP bonus election is made before the cut-off for the AIP pay date: February 16, 2023. Again, the AIP payment will occur on February 24, 2023</p>										
<p>What are the 2023 contribution limits?</p>	<p>The table below shows the 2023 401(k) plan contribution options and IRS limits. It's important to note that if you maximize the annual IRS contribution limit for pre-tax and Roth 401(k) contributions, your after-tax contributions cannot exceed \$30,300, as shown in the example below.</p> <table border="1" data-bbox="597 850 1344 1291"> <thead> <tr> <th>Contribution Type</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>Pre-tax and Roth 401(k) IRS contribution limit</td> <td>\$22,500 (\$30,000 if 50+)</td> </tr> <tr> <td>Maximum PayPal matching contribution you're eligible to receive</td> <td>\$13,200</td> </tr> <tr> <td>Maximum after-tax contribution you're eligible to make</td> <td>+ \$30,300</td> </tr> <tr> <td>2023 IRS annual additions limit</td> <td>\$66,000 (\$73,500 if 50+)</td> </tr> </tbody> </table> <p>Example is for illustrative purposes only. PayPal and Schwab Retirement Plan Services, Inc. does not provide tax or legal advice.</p>	Contribution Type	Amount	Pre-tax and Roth 401(k) IRS contribution limit	\$22,500 (\$30,000 if 50+)	Maximum PayPal matching contribution you're eligible to receive	\$13,200	Maximum after-tax contribution you're eligible to make	+ \$30,300	2023 IRS annual additions limit	\$66,000 (\$73,500 if 50+)
Contribution Type	Amount										
Pre-tax and Roth 401(k) IRS contribution limit	\$22,500 (\$30,000 if 50+)										
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2023 IRS annual additions limit	\$66,000 (\$73,500 if 50+)										
<p>What if I exceed the IRS limits?</p>	<p>It is your responsibility to monitor your contributions to ensure you do not exceed the IRS limits. In the first quarter of each year, Schwab Retirement Plan Services reviews participant total contributions against this limit. If it is determined that you have exceeded the IRS limits, any excess employee contributions (adjusted for any earnings) will be refunded to you along with an IRS 1099-R in Q1 of the following year (typically in March). Refunds of after-tax contributions may be included in your taxable income.</p>										
<p>What if I don't want to make any changes from last year?</p>	<p>If you previously elected to defer your AIP cash bonus and are satisfied with your deferral election percentage(s), you don't need to take any action as your current AIP bonus election(s)</p>										

	<p>will be applied to your AIP bonus being paid on February 24, 2023. Please review your elections that are currently on file to ensure that they are consistent with your intentions.</p> <p>While you may not want to make any changes to your AIP 401(k) elections, it is important for participants to review their personal information and make updates accordingly, including beneficiary designation. You can do this at anytime by logging into your Schwab account, and choosing “My Profile” on the top menu.</p>
<p>Does PayPal match my AIP cash bonus contribution?</p>	<p>Employees who make an election to defer their AIP cash bonus under their PayPal 401(k) Savings Plan account will be eligible to receive a company match of up to 4% of eligible compensation, up to a maximum of \$13,200 in 2023, subject to the terms of the PayPal 401(k) Savings Plan.</p>
<p>Will there be a separate check for the AIP cash bonus payment this year?</p>	<p>No, your AIP cash bonus will be paid as part of your February 24 regular paycheck. It will not be a separate check. Your 401(k) Savings Plan elections will be deducted from your base pay as regularly scheduled (if currently enrolled), while your AIP-related 401(k) Savings Plan elections will be deducted from your AIP payment, up to the 2023 IRS contribution limits (and subject to the terms of the plan).</p>
<p>Where do I go if I have 401(k) questions?</p>	<p>For any questions relating to the PayPal 401(k) Savings Plan, please contact the Schwab Participant line at 800-724-7526 Monday – Friday from 8am to 10pm ET.</p> <p>Schwab will be hosting 1:1 personal consultation with a Schwab Educational Specialist starting Monday, February 13 through Wednesday, February 15th. Space is limited, so please register now for your appointment. Additionally, you can access unlimited Financial Wellness Coaching through Ayco, provided to all US employees at no cost.</p>
<p>What should I know if I choose to contribute 100% of my AIP cash bonus to the 401(k) Savings Plan?</p>	<p>If you choose to contribute 100% of your AIP cash bonus to your 401(k) plan account, any additional elections, such as the Employee Stock Purchase Plan (ESPP), (if you’re a current plan participant), may not be withheld.</p> <p>Please see the examples in the following pages of how an election of 100% towards AIP Pre-tax and Roth (After-tax would be similar to Roth) would be calculated from your paycheck. An additional example is provided with an example of an election of 75% towards AIP Pre-tax.</p>

Example #1: California exempt employee contributing 100% to the 401(k) Pre-tax AIP Election

Earnings	Rate	Hours/Units	Amount
Salary Exempt		80.00	9,180.65
AIP Payout			5,000.00
Gross Pay			14,180.65
Tax Deductions: Federal			
Withholding Tax			1,253.80-
EE Social Security Tax			857.06-
EE Medicare Tax			200.45-
Tax Deductions: California			
Withholding Tax			517.04-
EE Voluntary Disabilit			151.85-
Additional Deductions			
*Medical Pre-tax			257.00-
*Dental Pre-tax			11.00-
*Vision Pre-tax			3.00-
*401 (k)			367.23-
*FSA Health Care			105.77-
*401 (k) AIP			5,000.00-
ESPP			1,418.07-
Total Net Pay			4,038.38

Note the following:

100% of the AIP payout is being contributed towards the 401k AIP Pre-tax election.

The AIP amount is taxable under Social Security and Medicare. These statutory taxes are essentially in arrears due to the 100% election and will be deducted from the regular paycheck.

In addition, in this example, the individual also has ESPP elected. The full earnings of the paycheck are eligible (including AIP), which may result in ESPP deductions coming out of the regular pay if there's nothing remaining from AIP Payout.

In this example, the net (take home) pay is reduced since there is:

- 1) An amount going towards 401k AIP
- 2) Taxes coming from regular pay
- 3) Has an ESPP deduction

Example #2: California exempt employee contributing 100% to the Roth AIP Election

Earnings	Rate	Hours/Units	Amount
Salary Exempt		80.00	9,180.65
AIP Payout			5,000.00
Gross Pay			14,180.65
Tax Deductions: Federal			
Withholding Tax			2,353.80-
EE Social Security Tax			857.06-
EE Medicare Tax			200.45-
Tax Deductions: California			
Withholding Tax			1,028.54-
EE Voluntary Disabilit			151.85-
Additional Deductions			
*Medical Pre-tax			257.00-
*Dental Pre-tax			11.00-
*Vision Pre-tax			3.00-
*401(k)			367.23-
*FSA Health Care			105.77-
ESPP			1,418.07-
401(k) Roth AIP			5,000.00-
Total Net Pay			2,426.88



Note the following:

100% AIP payout is being contributed towards 401(k) AIP Roth election. (After-tax results would be similar).

The entire gross amount is taxable including AIP Payout since the election is a post-tax election.

The payroll system lumps all earnings into gross pay and deducts taxes from total gross pay.

Whatever remains, up to 100% of the AIP Payout, will go towards the 401k Roth AIP election.

This means an individual electing 100% to Roth or After-tax could end up with a \$0 net check.

In addition, if ESPP is elected, the priority of ESPP is at the end, so ESPP could possibly not be withheld and will not be caught up.



Example #3: California exempt employee contributing 75% to AIP Pre-tax

Earnings	Rate	Hours/Units	Amount
Salary Exempt		80.00	9,180.65
AIP Payout			5,000.00
Gross Pay			14,180.65
Tax Deductions: Federal			
Withholding Tax			1,528.80-
EE Social Security Tax			857.06-
EE Medicare Tax			200.45-
Tax Deductions: California			
Withholding Tax			644.92-
EE Voluntary Disabilit			151.85-
Additional Deductions			
*Medical Pre-tax			257.00-
*Dental Pre-tax			11.00-
*Vision Pre-tax			3.00-
*401(k)			367.23-
*FSA Health Care			105.77-
*401(k) AIP			3,750.00-
ESPP			1,418.07-
Total Net Pay			4,885.50

Note the following:

In this example, the individual received \$847.12 more in net than if the individual had elected a 100% towards AIP 401(k).

The 75% election allowed enough room to contribute to 401k AIP, pay taxes, and contribute to ESPP without impacting disposable income.

Visit [HR Hub](#) or contact Employee Central (click the blue "Contact Us" circle link on the bottom right side of page) for more information about the Annual Performance & Rewards Cycle. You can also learn more about AIP [here](#).