INTEL EMPLOYEE PLANNING SERIES

The Intel NUA Decision

When special tax treatment for Intel Stock Fund shares may or may not make sense

Intel's 401(k) includes an Intel Stock Fund designated as an employee stock ownership plan. If qualifying employer shares have appreciated materially above the plan's cost basis, net unrealized appreciation (NUA) may change how part of the gain is taxed. But NUA is not automatically better than an IRA rollover: the decision depends on basis, timing, liquidity, diversification, and exact distribution procedures - and it must be evaluated before the shares are sold inside the plan or rolled to an IRA.

MEASURE FAIR VALUE AND PLAN COST BASIS NUA is the increase in employer-stock value while qualifying shares were held in the plan. The larger that embedded appreciation is relative to cost basis, the more meaningful the tax comparison may become. Obtain share-level and source-level records rather than estimating from account value alone.

CONFIRM THE EVENT AND ENTIRE-BALANCE RULE Special treatment generally requires a qualifying event and distribution of the participant's entire balance from all of the employer's qualified plans of the same kind within one tax year. A partial withdrawal, annuity election, or poorly sequenced rollover can change the result.

COMPARE NUA WITH A DIRECT IRA ROLLOVER An NUA transaction can create current ordinary income and a taxable-account position in Intel shares. A direct IRA rollover generally avoids current tax but converts future withdrawals to ordinary income. Model both paths after taxes, investment risk, fees, liquidity, and estate objectives.

How NUA Works

In a properly structured NUA transaction, actual Intel shares leave the qualified plan and move in kind to a taxable brokerage account. The taxable plan cost basis is generally ordinary income in the distribution year. The NUA - the appreciation while the shares were in the plan - is generally deferred until the shares are sold and then treated as long-term capital gain. Any appreciation after distribution is long- or short-term gain based on the post-distribution holding period. Exact basis and reporting depend on contribution sources and the Form 1099-R issued by the plan.

FOUR REQUIREMENTS BEFORE EXECUTION

1. A QUALIFYING EVENT For an employee, the applicable events include separation from service, reaching age 59 1/2, or death. Disability is a qualifying event under the lump-sum rule for a self-employed participant, not a separate employee trigger.

2. THE ENTIRE BALANCE IN ONE TAX YEAR The participant's entire balance from all of the employer's qualified plans of the same kind must be distributed within a single tax year. Intel shares can move to a taxable account while other eligible assets move by direct rollover, but the complete distribution must be coordinated.

3. EMPLOYER SHARES DISTRIBUTED IN KIND The strategy depends on receiving qualifying Intel employer securities - not cash after the shares are sold inside the plan. Do not place a trade, partial-distribution, annuity, or IRA-rollover instruction until actual-share delivery is documented.

4. CURRENT PLAN PROCEDURES CONFIRMED Intel's public filing identifies Fidelity as recordkeeper and describes lump sums, partial distributions, direct rollovers, and certain annuity payments after termination, but it does not specify an NUA workflow. Confirm eligibility, share delivery, basis records, timing, withholding, and required forms directly with Fidelity and the current plan documents.

A SIMPLIFIED COMPARISON

Assume Intel shares in the plan are worth $1,000,000, with $200,000 of plan cost basis and $800,000 of NUA. This illustration excludes state tax, the net investment income tax, transaction costs, portfolio returns, and personal deductions or credits.

NUA PATH The $200,000 basis is generally ordinary income in the distribution year, subject to source-level basis adjustments. The $800,000 of NUA is generally deferred until sale and then treated as long-term capital gain. The participant still owns a concentrated taxable position and needs a sale, diversification, and tax-payment plan.

IRA ROLLOVER PATH A $1,000,000 direct rollover generally creates no current income tax. The full amount remains tax-deferred, and later traditional IRA withdrawals are generally ordinary income. The account can be diversified without a current taxable sale, subject to IRA rules and investment choices.

EARLY-DISTRIBUTION CHECK If the participant is under age 59 1/2, the taxable ordinary-income portion may also face a 10% additional tax unless an exception applies. One qualified-plan exception can apply after separation from service in or after the calendar year the participant reaches age 55; confirm the facts before relying on it.

This is a hypothetical example for the purpose of illustrating these financial concepts and is not representative of any specific investment. Your results may vary.

When NUA May Help - and When It May Not

NUA is a tax election, not an investment recommendation. Its value depends on tax-rate differences, tax timing, concentration risk, and the alternatives available in the Intel plan or an IRA.

NUA MAY DESERVE CLOSER REVIEW WHEN

The plan cost basis is low relative to market value; projected capital-gain treatment compares favorably with current basis taxation and future ordinary-income withdrawals; and the participant has liquidity for the current tax plus a deliberate plan for Intel exposure across the 401(k), equity awards, ESPP, taxable accounts, and SERPLUS credit risk.

NUA MAY BE LESS ATTRACTIVE WHEN

The basis is high or current ordinary-income tax is costly; long-term IRA deferral, rebalancing flexibility, or simpler administration is more valuable; or the taxable Intel position would create unacceptable concentration. Intel's 20% Stock Fund limit is a plan guardrail - not a personalized risk target or proof of NUA eligibility.

SOURCE-LEVEL RECORDS CONTROL THE ANALYSIS

Separate pre-tax, current match, legacy discretionary, rollover, voluntary after-tax, Roth, and converted sources. Do not assume participant basis or Roth sources reduce the taxable cost basis of distributed shares without confirmation from Fidelity and the tax professional preparing the return. Verify the final Form 1099-R, including NUA reported in box 6.

> **Planning principle:** NUA is not a stock recommendation. It is a tax election that must be evaluated before the rollover.

QUESTIONS TO RESOLVE BEFORE YOU ACT

WHAT IS THE PLAN'S COST BASIS? Request fair value, share count, and plan cost basis by source, plus the expected tax reporting.

HAS A QUALIFYING EVENT OCCURRED? Document the event and confirm every required balance can be distributed within one tax year.

CAN FIDELITY DISTRIBUTE ACTUAL SHARES IN KIND? Confirm Intel Stock Fund treatment, receiving-account registration, timing, withholding, fractional shares, and written delivery instructions.

IS THE TAX SAVING WORTH THE RISK? Compare NUA and IRA outcomes after taxes, returns, concentration, liquidity, fees, estate objectives, and execution risk.

Educational overview. Current plan documents, Fidelity distribution procedures, source-level cost-basis records, and professional tax advice control. Sources: Intel 401(k) Savings Plan Form 11-K for the year ended December 31, 2025; IRS Publication 575; IRS Topic 412; IRS Notice 2014-54; and 2026 Instructions for Forms 1099-R and 5498. Intel Corporation is not affiliated with Oswego Legacy Partners or Prudential. Reviewed August 2026.